Four Dollars

Fall 1990

THE BROOKINGS REVIEW

U.S. Foreign Policy and Europe — 1990–2000

Plus:
Deterrence and U.S. Security
Day Care Regulation
Long-Term Care
Earthquake Risks

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Board of Trustees

Louis W. Cabot
Chairman

Ralph S. Saul
Vice Chairman

Ronald J. Arnault
Elizabeth E. Bailey
Rex J. Bates
Yvonne Brathwaite Burke
A. W. Clausen
William T. Coleman, Jr.
Kenneth W. Dam
D. Ronald Daniel
Charles W. Duncan, Jr.
Walter Y. Elisha
Robert F. Erburu
Robert D. Haas
Pamela C. Harriman
Vernon E. Jordan, Jr.
James A. Joseph
Nannerl O. Keohane
Martin J. Koldyke
Thomas G. Labrecque
Bruce K. MacLaury
Donald F. McHenry
Samuel Pisar
James D. Robinson III
Howard D. Samuel
B. Francis Saul II
Henry B. Schacht
Donna E. Shalala
Robert H. Smith
Howard R. Swearer
Morris Tanenbaum
John C. Whitehead
Ezra K. Zilkha

Honorary Trustees
Vincent M. Barnett, Jr.
Barton M. Biggs
Robert D. Calkins
Edward W. Carter
Frank T. Cary
Lloyd N. Cutler
Bruce B. Dayton
Douglas Dillon
Huntington Harris
Andrew Heiskell
Roger W. Heyns
John E. Lockwood
James T. Lynn
William McC. Martin, Jr.
Robert S. McNamara
Mary Patterson McPherson
Arjay Miller
Donald S. Perkins
J. Woodward Redmond
Charles W. Robinson
Robert V. Roosa
Gerard C. Smith
Robert Brookings Smith
Sydney Stein, Jr.
Phyllis A. Wallace

THE BROOKINGS INSTITUTION is an independent, nonprofit organization devoted to nonpartisan research, education, and publication in economics, government, foreign policy, and the social sciences generally. Its principal purposes are to aid in the development of sound public policies and to promote public understanding of issues of national importance.

The Institution was founded on December 8, 1927, to merge the activities of the Institute for Government Research, founded in 1916, the Institute of Economics, founded in 1922, and the Robert Brookings Graduate School of Economics, founded in 1924.

The Board of Trustees is responsible for the general administration of the Institution, while the immediate direction of the policies, program, and staff is vested in the President, assisted by an advisory committee of the officers and staff. The by-laws of the Institution state: "It is the function of the Trustees to make possible the conduct of scientific research, and publication, under the most favorable conditions, and to safeguard the independence of the research staff in the pursuit of their studies and in the publication of the results of such studies. It is not a part of their function to determine, control, or influence the conduct of particular investigations or the conclusions reached."

The officers and staff conduct a continual review of the Institution's fields of interest. Subjects are selected for study on the basis of their significance and timeliness, the adequacy of information and techniques of investigation, the availability of personnel and funds, and the relationship of the projects to the Institution's objectives. Each Brookings study is offered as a comprehensive scholarly treatment of a subject worthy of public consideration.

The Institution maintains its position of neutrality on issues of public policy to safeguard the intellectual freedom of the staff. Interpretations or conclusions in Brookings publications should be understood to be solely those of the authors and should not be attributed to the Institution, its trustees, officers, or other staff members, or to the organizations that support its research.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

THE BROOKINGS REVIEW

Fall 1990 Vol. 8, No. 4

3 **A Considered Opinion: Lessons from the Gulf Crisis**
William B. Quandt

4 **U.S. Foreign Policy and Europe, 1990–2000**
Catherine McArdle Kelleher

11 **The Anatomy of German Unification**
Wolfgang H. Reinicke

13 **Changing Realities, Changing Perceptions: Deterrence and U.S. Security after the Cold War**
Raymond L. Garthoff

21 **Regulating Mister Rogers' Neighborhood: The Dilemmas of Day Care Regulation**
William T. Gormley, Jr.

29 **Myths & Realities: Why Most of What Everybody Knows about Long-Term Care Is Wrong**
Joshua M. Wiener and Katherine M. Harris

35 **What Has Happened to the U.S. Senior Civil Service?**
Joel D. Aberbach and Bert A. Rockman

42 **Earthquake! Planning and Paying for the "Big One"**
Robert E. Litan

Cover illustration by Robert Wiser

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Getting the Government off Our Backs?

John Chubb and Terry Moe ("Choice *Is* a Panacea," summer issue) propose a non-remedy for what they see as the central problem of the public schools today — too much government — and they shrug off the gathering momentum of school reform nationwide.

They contend that the way to counter too much government is to tear down the whole structure and start over, using the competitive marketplace as a model. But would that end the influence of government on the schools? Not by a long shot. The authors propose publicly funded "scholarships" for America's 45 million elementary and secondary school children attending "chartered" schools of their choice, including religious schools. Each community's "Office of Choice" would dispense funds, and a "Center for Parental Information" would counsel parents. But guess who would charter the schools, administer funds, provide counseling, monitor teacher licensing, enforce anti-discrimination programs, and hear appeals of decisions made? That's right, the government. It's not difficult to see the unbounded opportunity for government expansion in such a marketplace when the "goods" involved are citizens' children, their rights as Americans, and their tax money.

Everyone agrees that schools must improve to meet the challenges of tomorrow. America's schools are addressing that need by tackling the right issues. These include motivating all children to learn, mobilizing the whole community in an approach to children that incorporates the full range of public and private services, providing sensible parental choice options, restructuring education to involve parents in making decisions at schools and giving teachers more autonomy, improving the inservice training of teachers and administrators, and embracing national goals for education as well as meeting state and local expectations for the schools.

"Choice *Is* a Panacea" has value to stimulate thought about the future of schooling. Where it's off the mark is in its conception of a monolithic school system. In fact, there are more than 15,000 local school districts in the United States. The genius of this decentralized system is its capacity in one city, rural area, or suburban county to bring new ideas to life.

Chubb and Moe actually do what few public school critics do — offer an alternative to compare with the public schools. And they *are* contributing to the continuing evolution of school reform. But they can hardly be credited with triggering a revolution. The revolution is already here, advanced by local school board members, teachers, and administrators.

Thomas A. Shannon, Executive Director
National School Boards Association

The Review welcomes comments from its readers and will print them from time to time. Letters should be addressed to the Editor, The Brookings Review, *1775 Massachusetts Avenue N.W., Washington, D.C. 20036. The letter writer should include his or her name, address, and daytime telephone number. Letters will be edited to conform to style and space.*

President: Bruce K. MacLaury
Vice President — External Affairs: John M. Hills
Director of Publications: Robert L. Faherty

The Brookings Review
Editor: Brenda Szittya
Associate Editor: Jeanette Morrison
Production Staff: Kenneth Sabol, Susan F. Woollen
Circulation: Kate O'Connor, Ann M. Lofton

Subscription rates:
one year $15 ($20 foreign);
two years $27 ($37 foreign).

Postmaster, send address changes to:
The Brookings Review
1775 Massachusetts Avenue, N.W.
Washington, D.C. 20036

Circulation queries: (202) 797-6255

U.S. newsstand distribution by
Ingram Periodicals Inc.
347 Reedwood Drive, Nashville, Tenn. 37217

The Brookings Review (ISSN 0745-1253)
is published quarterly by the Brookings Institution, 1775 Massachusetts Ave., N.W., Washington, D.C. 20036.

Copyright © 1990 by the Brookings Institution. All rights reserved.

Second-class postage paid at Washington, D.C.
USPS I.D. No. 14209; Publication No. 551640.

Designed by Meadows & Wiser

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Lessons from the Gulf Crisis

by William B. Quandt

Iraq's invasion of Kuwait on August 2, 1990, ushered in the first major international crisis of the post–Cold War era. The political map of the Middle East is being redrawn by the dramatic events in the Gulf. Nonetheless, some lessons can already be drawn, particularly with regard to American policy.

First, American public opinion has not yielded to either isolationist sentiment or jingoistic unilateralism. The combination of Iraq's blatant aggression and the danger that a large percentage of world oil supplies might come under the control of an ambitious despot led the American public to support President George Bush's decision to send a large force of American troops to Saudi Arabia.

Second, the United States played the leading role in organizing a genuinely international response. U.S.-Soviet contacts during the crisis have been frequent, and the two major powers have adopted similar positions toward the Iraqi aggression. Generally impressive as well has been the display of support from Europe, Japan, and some of the countries in the Middle East.

Third, the United Nations has proved to be a useful forum for building and sustaining international pressure on Iraq. Iraq's invasion and subsequent annexation of Kuwait have been soundly opposed; sanctions have been voted; and even the limited use of force to put teeth in the sanctions has been approved.

Fourth, American military capabilities for dealing with the Gulf crisis have been impressive. After 10 years of planning, the Pentagon has shown that it can move a substantial force halfway around the world fairly smoothly. But the operation is proving to be costly, and a sign of American weakness can be seen in the anxiety

about who is going to pay. One senses that some of the enthusiasm for multilateral diplomacy is little more than the hope that others will pick up part of the tab.

Fifth, as is often the case in crises, our leaders seem to find it difficult to explain what U.S. interests are at stake. Is it just a matter of oil? Or the "American way of life"? Is Iraqi president Saddam Hussein a Hitler-like figure who must be crushed to make the world a safer place? Do we really care if oil-rich kings and emirs stay on their thrones? What about democracy and human rights? Unless a persuasive case can be made that American interests are threatened in the Gulf, popular support could begin to erode.

To say, as I believe to be true, that the rationale for American action is to maintain a balance of power in the Gulf that will prevent any one country from manipulating oil supplies to the detriment of the world economy, is closer to the mark. But one must add that this crisis also involves an effort to establish the norms of international relations in the post–Cold War era, an idealistic sounding notion, perhaps, but of vital importance.

We should begin to think now about the longer-term implications of this crisis. Will we finally get serious about energy policy? When the price of oil goes back down, will politicians have the courage to call for a gasoline tax to discourage consumption? Will we add to the Strategic Petroleum Reserve and develop a sensible policy for its use in future crises?

Can we and our allies devise policies for the post-crisis period to contain Iraqi power, to slow the spread of chemical and nuclear weapons and of surface-to-surface missiles in the region? Could a serious regional arms control effort be made that might reduce the chances of a war in the future?

What about other sources of tension in the region — the unequal distribution of wealth, the long-festering Arab-Israeli conflict, the lack of democratic processes? Will we turn a blind eye to these problems when the current crisis recedes, or will we, with our newfound regional and international partners, try to tackle them as well?

Much obviously depends on how the Gulf confrontation unfolds. If handled skillfully by the president, this crisis could set the pattern for years ahead, and might be remembered as the last major regional crisis that threatened global stability. That, more than a 20 cent increase in the price of a gallon of gasoline, is the subtext behind the headlines. And that is why the stakes for the United States in the Gulf crisis are so high. □

William B. Quandt is a senior fellow in the Brookings Foreign Policy Studies program and the author most recently of The United States and Egypt.

Photo by Roslin Arington

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

U.S. Foreign Policy and Europe, 1990–2000

Catherine McArdle Kelleher

After close to a half-century of stability, American foreign policy toward Europe is in for a dramatic change. Gone, suddenly, is the organizing principle of anticommunism in both its political and ideological senses. Eastern Europe is no longer a bloc in any conceivable sense of the term; the Soviet Union may still be a formidable adversary, but only as an ordinary and increasingly limited great power. Western Europe is increasingly integrated, self-reliant, and prosperous, and potentially more a competing than an allied bloc. And German unification and its consequences are now out of our control and were not in our gift, yet will be central to our continuing political, economic, and security relations with all of Europe.

Much of the new challenge comes from our undisputed past success. But celebration of the blessings wrought by containment will do little to prepare Americans, both elite and electorate, for the evolution of a successful European policy in the decade of the 1990s. What is needed is revolutionary: a new definition of basic American interests in Europe that allows us to overcome past habits of easy political dominance and rampant NATO-ism; that permits us to cope with both uncertainty and instability without fear; and that encourages unprecedented levels of security and cooperation with all of Europe, including the Soviet Union. The challenge for the United States will be to participate meaningfully in the emergence of a new, if somewhat untidy, Europe that, by choice and circumstance, no longer fits the post-1945 American definition of Europe as part of "us." Opposition will come not only from international competitors and detractors, but also from broadly based domestic critics sunk in the gloom of "America's decline," attracted by the Pacific's promise, or overwhelmed by the unfinished agenda at home.

The choices to be made in the coming transformation of America's European policy are in some ways reminiscent of the choices and bargains of 1946–47. The war just ended is cold, not hot; yet the scope and implication of our choices are at least as great, and the sense that we must learn from the mistakes of the past war is just as potent. Popular enthusiasm for peace, for change, and for peace dividends is certainly on the same scale. There are crucial differences, however. The United States is now both better prepared and less able to make these choices on its own. The list of winners and losers with whom the United States must deal is decisively different. The importance of active usable military power, nuclear and conventional, for the setting of balances or the calculation of future advantage has undergone a fundamental reevaluation. So too has the role of national economic power or national financial independence.

Catherine McArdle Kelleher is a visiting fellow in the Brookings Foreign Policy Studies program and a professor of public policy and director of the Center for International Security Studies of the School of Public Affairs at the University of Maryland, College Park. Her current research focuses on the role of a unified Germany in post-Cold War European security.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

America's perspective on Europe over the past 45 years, though now being overturned, still sheds light on the ways in which the United States will view Europe over the next several decades. At least it helps to clarify the questions to be asked now. The answers may come later.

The Postwar Policy Context

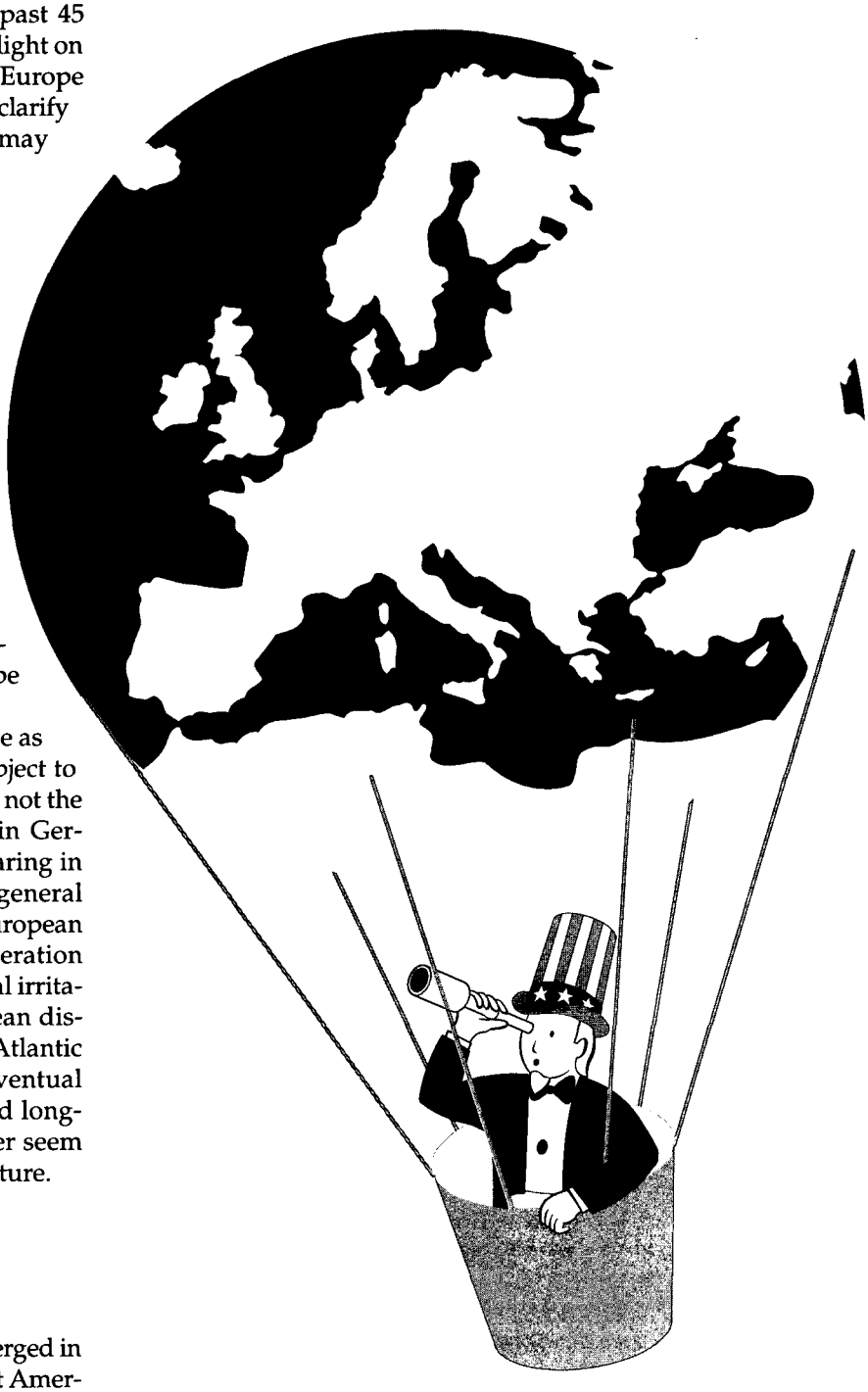
The most novel aspect of American foreign policy in the postwar period was the new definition of Europeans as somehow immutably part of "us." In contrast to the stark separationist views of the 1920s and 1930s, American leaders and pundits came to view Europeans as "most like us," a people to be defended as we defend ourselves, a kindred people with whom to share the benefits and the risks of the international order established after the defeat of fascism. It was, of course, only Western Europe, NATO Europe plus a few respectable others, that was at issue. Eastern Europe largely drifted from view.

It is this sense of the United States and Europe as being kindred and incorporated that is now subject to the greatest pressures for change. The problem is not the revolutionary changes in Eastern Europe, or in Germany, or the overblown debate over burden sharing in the Iraq action. For both policy elites and the general public, the surface identity of American and European interests is still intact; in every vital area, cooperation still far outweighs conflict and continuing mutual irritation. But emerging from American and European discussions is a powerful new sense of inevitable Atlantic disengagement, of European identity, and eventual American autarky. Basic Atlantic consensus and long-term European-American cooperation no longer seem as relevant or compelling conceptions for the future.

Three Postwar American Images of Europe

The perception of Europe and Europeans that emerged in the early postwar period perhaps said more about American goals and motives than it did about reality, much less about European perceptions of the same cluster of international factors. But it also presented to the American public both good and real reasons for Europe to be the central focus of postwar American foreign policy.

The first and dominant perception was of Europe as both the prize and the price of the postwar political and ideological struggle with the Soviet Union. The security of a devastated Europe from both internal subversion and external pressure became the acid test of America's determination to make the world truly safe for democracy. The existence of a Europe "like us" was a precondition to the establishment of an international order con-



Emerging from American and European discussions is a powerful new sense of inevitable Atlantic disengagement, of European identity, and eventual American autarky.

Illustration by Robert Wiser

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ducive to American political and economic interests. In the language of Bretton Woods, democratic, capitalist European systems, tied inextricably to an international economic order led by the United States, were ultimately in America's best interest. The cost of postwar European reconstruction was high; but from this perspective the Marshall Plan was simply the down payment on a future of common benefit and continuing American growth.

Another part of Europe's price was a strategy involving both containment of the Soviet Union and extension of an American security guarantee of Western Europe. The American military guarantee provided the shield behind which those "like us" could restore and then maintain functioning political systems that would avoid the ideological quarrels and fatal social divisions that led to the triumph of fascism. Soviet military strength was overwhelming, whatever the Soviet intention. American nuclear weapons balanced, first, Soviet conventional numbers and, then, Soviet nuclear forces themselves. The critical factor was continued American military superiority and increasingly, for many, a direct permanent military presence in Europe so we would not have "to fight our way back in again."

A central secondary task was the reform and then rehabilitation of the West Germans in ways that ensured both future stability in the European balance and the maximum use of German resources in deterrence and defense. Most Americans had considerable respect for German ingenuity and industriousness, once the initial horrors of World War II had passed. German participation in the defense of the West was "natural" so long as an integrated framework could be constructed against German military power. The struggle for German hearts and minds — first against the traditions of Marxism, then against Soviet blandishment — was seen as the centerpiece of American efforts to spread democracy and create an international (or at least Atlantic) system favorable to basic American values.

Through the 1960s, European and American interests continued to be seen as congruent if not identical, over both the long and short haul. Atlantic defense cooperation and economic coordination were seen as reflecting the basic identity of interests among democratic industrial states. Détente made the necessary connection between economic interests and containment less obvious during the 1970s. The struggles during the 1980s over intermediate-range nuclear forces (INF) also tested the relationship. Yet both the deployment and the agreement to eliminate INF demonstrated the basic "rightness" and resolve of the Atlantic strategy. Tough decisions had been taken and implemented; the Soviet Union had won neither its games in Europe nor the opportunity, probably, to return to the field.

The second significant American perspective on postwar Europe was the necessity of "doing it right." Having twice rescued Europe from chaos and conflict of its own making, this time the United States would ensure

The United States must find a new organizing principle for its policy toward Europe. Anticommunism and anti-Sovietism are no longer policy lodestars.

that peacemaking worked, that the Europe it had twice restored with its expeditionary forces would be rebuilt on a stable democratic basis into a zone of peace.

Central to this perspective was the concept of a regional security system. Superficially, the task was to mobilize European resources against the Soviet Union. Yet, for at least the first postwar decade, a goal of almost equal importance was the design of a lasting regional balance: a system that would allow for the necessary rearmament of Germany (recognized by many American leaders as unavoidable as early as 1948), while also catering to France and Britain's need for firm guarantees against a German resurgence. Direct continuous American involvement was not foreseen as necessary for all time; even into the mid-1950s, President Eisenhower spoke of an interim overseas deployment of no longer than perhaps seven or eight years. The overwhelming preference of policymakers, liberal and conservative alike, was a Europe strong enough and united enough to organize its own defenses, with the U.S. role decreasing to one of general leadership, especially in nuclear matters, and of an emergency fire brigade.

By the mid-1960s, the image of "doing it right" had become focused on the unity of NATO. The health of the Alliance and the loyalty of the national members became surrogate tests for how well Europe's interwar problems of stability and cooperation had been resolved. Also, NATO became the framework for the coordination of Western interests, the symbol for Americans of the continued maintenance of the new Europe they had helped to construct and were now destined to lead. The Alliance was not perfect. It called for continuing American sacrifices in the interest of European security that were never reciprocated or appreciated. NATO clearly needed a new system of burden sharing and better consultation on American strategic preferences. But it was a working organization, of great value for concerting policies in ways that bilateral channels did not allow, and with a military structure of impressive deterrent strength.

Just as NATO was attaining, especially for conservatives, the symbolic status of man's last best hope, the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

unanimity of support for it began to crumble. During the 1960s, Senator Mike Mansfield's successive resolutions on American troop withdrawals coincided with the defection of the French from the integrated military organization. As the 1960s passed, numerous liberals joined with scattered conservative critics to question the need for continuing massive American involvement and the need for the United States to play global policeman, especially in a Europe strong enough to fight for its own interests. Liberals also worried that the United States had been trapped into answering the wrong questions in its concern for stability and the European balance. Defining the primary task of U.S. foreign policy as the avoidance of nuclear war and the stabilization of relations with the Soviet Union, these critics argued that NATO was a critical significant bond, but that it was neither paramount nor immutable in the calculation of American, or even European, interests. The approach was now "globalist," with NATO only one of many instruments.

The third American perspective on postwar Europe was a critical assessment of the role played by particular European states in global politics. The issue arose when European states pursued what they saw as their interests in defiance of what the United States saw as being in the general Western interest. Over time, the specifics varied, but the general thrust of the American critique was that individually, if not as a group, the Europeans gave paramount weight to narrow, short-term political gains and to national economic interests. The issues ranged from arms sales to preferential trading and investment policies; the forum was most often the Middle East but also Latin America, Africa, and Southeast Asia. But consistently from the 1950s through the 1980s the charge was the same: the Europeans were insular, recalcitrant, or soft — and always in the rear.

The Present Policy Context: 1990–2000

This review of postwar American perspectives on Europe dramatizes the stark shifts in context that have occurred since 1989, the radically new policy world that the United States will have to deal with in the Europe of the 1990s and beyond, and the inevitability of a wholesale transformation of the U.S. perspective on Europe. As new images of Europe evolve over the coming months and years, it is imperative to recognize the fundamental changes in Europe that will affect American policy calculations.

The first is that the United States must find a new organizing principle for its policy toward Europe. Anticommunism and anti-Sovietism are no longer policy lodestars. Although still a nuclear superpower, the Soviet Union will be more of an ordinary state, anxious to remain in the European economic and political game. It may still revert to hostility, but a more likely outcome seems internal economic absorption and political fragmentation. The Eastern European security zone is gone forever, and the pressures for lower budgets and lower force levels, no matter who is in power, are probably inescapable.

In the post–Cold War era, the United States must be prepared to deal with a new Europe, one that will resist being seen as part of us. Whether organized as an extended European Community or as pan-Europe spanning East and West, Europe will demand its own identity, which the United States will still influence but be able neither to determine nor to deny. Security concerns defined in traditional military terms will be fewer — in a pattern more like that of late 19th-century Europe than the Europe of the past 40 years. The United States may participate in defining the boundaries of this new Europe and in sketching out a role for itself that goes beyond NATO partnership. But it will have a smaller, less continuously central share in the emerging economic and political structures that constitute the new European order — an outcome that may be the result of European priorities or congressional action or both.

For the United States, perhaps the hardest adjustment will be to form a new relationship with the Federal Republic of Germany, the key actor in all the future European circles. The postwar German-American relationship has gone through a number of phases: Germany as pupil; Germany as key NATO ally; Germany as America's strategic partner in the ending of the Cold War. But unification signals the end of political constraint and most of postwar security dependency and thus a Germany less affected by American choices and preferences. A united Germany will have a larger agenda, a more assertive, confident tone, and a far more critical approach to the United States and its Western European partners. It has stronger political and economic interests in stabilizing Eastern Europe — if only to guard against migrations westward. It has a special relationship with the Soviet Union, at least until 1994–95, when Soviet troops are withdrawn from German soil, and probably beyond.

Much of American adaptation to this new Germany will take place in a familiar channel, NATO. As the United States has demanded since the Berlin Wall's fall, a united Germany will be a member of NATO and hold significant military forces to a present maximum of 370,000 troops. But as reflected in both NATO's London Summit declaration and the German-Soviet agreements of July 1990, German unification itself transforms NATO. This will be the time for changes in personnel (fewer forces even as a ceiling, perhaps a German Supreme Commander for NATO) as well as in strategy (the shift from larger active forces and static forward defense at the inner-German border to smaller, highly mobile, perhaps multinational units and a policy of force regeneration should unlikely war threaten). There will be few, if any, nuclear weapons on German soil in the future, given the expressed preferences of both East and West Germans. And over the next decade, NATO forces stationed in Germany will also shrink — with an Amer-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ican contingent of 50,000 to 75,000 troops by the end of the 1990s now widely discussed.

To the ire of many in Congress, some in Germany will see NATO's value strictly as a means of transition to a European security order. They may envisage evolution from a NATO European pillar or from the European Community (EC) or from either under the broader pan-European scope of a newly institutionalized Conference on Security and Cooperation in Europe (CSCE). In all cases, there may still be a role for the United States — and perhaps for the Soviet Union as well. But the role may be far more that of a guarantor of European choices, the nuclear protector of ultimate resort — not the leader or shaper of European security even against the residual threats of ethnic or nationalist violence or a disintegrating Soviet Union.

Moreover, military security will probably be seen as less pressing than economic stabilization and security, especially vis-à-vis Eastern Europe. Economic status and competitiveness will be the measure of day-to-day European power, with Germany most able to gain its preferences inside and outside the Community. Without a regularized link to post-1992 Europe, the United States will find itself more of an outsider, more dependent on the intervention and assistance of others for access than at any time in the postwar period. And without full involvement in the redevelopment and reshaping of the Eastern economies, Washington may find its policy preferences far less relevant to the daily policy concerns of a new German economic superpower or a new European economic "pole."

One aspect of the new Europe that Americans will find rewarding will be the increasing emphasis placed on democratic rule as the critical standard for bilateral and multilateral relationships. The new emphasis will emerge not only because of the guarantees of stability and noninterference that democracies generally provide, but because the most powerful states — Germany, the EC members, and the United States itself — believe that democratic rule will best safeguard their interests. Democratization may well prove a tough, exclusionary test for the new Europe. Much of the Balkans will become marginal; a military-dominated Greece or Turkey will be consigned to secondary European status. For a Soviet Union or Soviet republics that cling to bureaucratically authoritarian structures or for an Eastern European country that returns to the popular authoritarianism of the 1930s, the result will be lesser status and perhaps ultimately a lesser share in the European game.

Over the next decade, the United States thus will confront a Europe only somewhat like us, with a variety of organizations and structures that have overlapping responsibilities, ambitions, and memberships. Almost certainly included will be a European Community with expanded powers, functions, and membership; a NATO in decline but viable at least as a transitional element; and a CSCE as a new overarching umbrella with specific functions for arms control and perhaps crisis containment and peacekeeping. Most but not all will involve roles sometimes equal, sometimes secondary for the United States. The meshing of these various organizational activities and the political and economic compromises they represent will be the major challenge of the second half of the 1990s.

Goals for Future Policy

What minimum foreign policy goals should the United States pursue toward a Europe that is moving in ways still not totally discernible but clearly revolutionary? From the vantage point of 1990, four interrelated goals, while limited in nature, are certainly preferable to simple reaction or muddling through. At the least, these goals should help identify future changes that are risk-laden or politically troublesome. At a maximum, they will serve as benchmarks for American elites and publics concerned about short-term outcomes and the long-term future.

The first goal is to ensure the continued well-being of the existing zone of economic and political peace that the United States has helped create since 1945. Basically a defensive goal, it aims to secure through extension the success achieved through the economic, security, and political structures built up since 1945. The evolution of this zone of peace does not itself provide for the "inevitability" of either NATO or the European Community in its present structural configuration. But it provides strong incentives to preserve them at least as transitional structures. And any new European frameworks must incorporate guarantees to safeguard and extend their principal outcomes — regular, cooperative, transparent relations within overarching mediating structures that are viewed by national electorates as normal, predictable, and preferable to past competition and conflict — or to future instability.

Maintaining this zone is in the basic interest of the United States whatever the ultimate European framework. If the new Europe is a more potent economic competitor or far less tied to U.S. security guarantees, a Europe open to the free flow of trade and ideas is still a critical cornerstone in the type of international political order that the United States requires in 1990 — perhaps even more than it did in 1945. As economic competition grows between Europe, Japan, and the United States into the 21st century, a free economic zone will be of even greater significance for U.S. interests.

The second minimum goal is to preserve for the United States a role vis-à-vis all basic European structures that is legitimate in the eyes of all European players and *not* dependent on the good will of Germany or any other "strategic partner." This aim runs somewhat contrary to the present Bush administration strategy that posits the centrality of a preserved NATO and the strategic partnership with a reuniting Germany — almost to the exclusion of any other option. It is not a basic American interest to cling to any particular structure,

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

much less to an emphasis on purely military cooperation to the detriment or exclusion of far more important economic and political coordination and policy development. To ensure American access across the spectrum of European policy areas, the United States must not merely react to evolution within the Community or to new forms of cooperation with Eastern Europe, but actively participate in their creation. Such a strategy is both a hedge against the future and an opportunity to underline the continuing stake the United States has in Europe.

Carrying out that strategy will require considerable American flexibility and a critical reeducation of Americans, both policymakers and publics, about possible European outcomes. The American postwar preference has been for decisionmaking in Washington to flow through clear-cut and mutually reinforcing channels of influence. Typically, the United States has relied on strong, semi-exclusive partnerships, first with Britain and then with the Federal Republic; strong multilateral organizations of friendly major actors, such as the G-7 group; and well-defined structures for multilateral diplomacy and integrated functional action — principally NATO, but also the Coordinating Committee for Multilateral Export Controls (COCOM) and the International Monetary Fund. At best, the United States must strive now for multiple channels of influence but without the assurance either of a continuing commanding role or of easy policy coordination. To do this with grace will be hard; to do it effectively, still harder.

As the U.S. role in Europe changes, so too does the part the Soviet Union will play in Europe's future. In some respects, the Soviet script is more certain, given its geopolitical location, its economic dependency on Europe, and the political uncertainty about its future nature and actions that will absorb much of Europe's political calculation. But even a minimum American role in Europe should be more positive, given both enormous American assets and newfound flexibility. In the short run, the United States will be the primary reassurer of a new Germany against a gathering of its enemies; it will also provide the balance wheel that all Europeans, East and West, seem to want for now. For the longer term, the United States may be more an available partner, an honest broker, and, only occasionally, a makeweight in a German-led Europe or a hedge against residual threats of ethnic unrest, Soviet reversals, or political collapse in Eastern Europe or, more likely, the Soviet Union.

America must strive now for multiple channels of influence but without the assurance either of a commanding role or of easy policy coordination. To do this with grace will be hard; to do it effectively, still harder.

The third minimum goal is to foster the orderly political transition of both united Germany and the Soviet Union to their new European roles. This must be a primary goal for the United States, even though American efforts will be neither exclusive nor determining. To many, American images of Europe have always been too pro-Bonn or German-centric. But it is now more essential than ever that the United States reinforce a democratic Germany — the new kind of democratic Germany — as the new king of democratic as well as economic Europe. A continuing American military presence, so long as it remains wanted by the Germans and other Europeans, remains useful. And American participation, on more equitable terms and in more cooperating or coordinating modes, will be essential.

It may not be particularly easy to sustain a constructive relationship with a newly assertive Germany, flush with the success of its unification triumphs. Germany will undoubtedly be more self-absorbed, less willing (and able) to contribute to the transatlantic common good, and determined to stabilize its Eastern neighbors, whatever America's views. Mutual irritations will grow, and there will be many temptations to rehearse the German past to constrain the German future. But the United States will still have a unique fostering role to play despite policy differences and diverging areas of primary economic commitment. The United States may have to do for Germany what Britain did for the United States in the late 19th century — help without obvious support or direct interference, consult at the grand level with tolerance and flexibility for the inevitable clashes and irritations. And it should do so gladly — and for its own long-run benefit.

The focus of the U.S.-Soviet relationship will be far less defined and probably far more concerned with continuing strategic questions. Washington will probably play a less important role in Soviet economic and political restructuring, whether reform or disintegration, than will Germany and the other major West European states. It will certainly play a smaller part in democratizing Eastern Europe. U.S. reluctance to be actively involved reflects both present economic limitations and the self-concerns of American domestic politics. But it also signals continuing American ambivalence about the extension of Europe eastward and the risks of involvement with those even now "not quite like us."

But, as it will for Germany, the United States should play a facilitating, structuring part in involving even a rump Soviet Union in Europe, especially in all-European security and economic arrangements. It is not in

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the U.S. strategic interest to allow, much less encourage, the marginalization of the Soviet Union in European affairs. Rather, the United States should actively support Soviet participation in multilateral solutions to pressing regional problems ranging from environmental degradation to ethnic unrest to the safety of remaining nuclear weapons. It should also promote Soviet acceptance of the standards of behavior, responsibility, and internal political compromise that have prevailed in Western Europe since the late 1950s. And in the short run the United States can provide legitimacy for the constraints on military capabilities that affect European security arrangements that the Soviet Union (and the United States) will have to accept.

The final goal is to maintain, if not extend, political and economic access within Europe and to Europe. This goal not only reflects America's own interests; it also represents an exercise of influence the United States should seek on behalf of the have-nots in Europe and throughout the rest of the world. The principal economic gatekeepers will clearly be European — the Community, the deutsche mark bloc, or Germany itself. But the "outsiders" must have an effective voice for access and transparency across all international areas. The United States is uniquely positioned to meet that need, even though both its incentives and capabilities to do so are far less today than they were during the 1960s or 1970s.

This last goal involves a wide range of possible activities; the specifics will depend on how Europe's institutions develop. At a minimum, it will involve American pressure against European protectionism and excessive Eurocentric self-absorption. At a maximum, it might involve the development of joint American-European ventures in the interest of specific development goals, requirements of regional security, or hedges against environmental dangers. At the core will be the education of the democratic electorate, American and European, about international responsibility and a recasting of the limits and obligations of state sovereignty and economic power.

Domestic Goals to Support a New Policy toward Europe

These new foreign policy goals toward Europe will require several critical developments at home. The domestic situation is more familiar and needs less analytic development. But it is crucial to the process of transforming American foreign policy toward both major and minor European players and to the risks and opportunities that will develop from 1990 until 2000.

The loss of the Cold War lodestar of American foreign policy in Europe must not lead to the invention of a new "threat": the German economic and political menace, the European Community as "devil," the German-Soviet relationship as minefield, or even instability (read "change") as a "bad thing."

The necessary restructuring and drawdown of American military forces because of budgetary pressures and the changing strategic environment must not lead to mindless withdrawals of forces in the interest of fiscal savings and the politically driven retention of domestic bases. Nor should it lead, in the longer term, to neglect of the continuing need for other kinds of military forces to do long-term force regeneration in the case of a renewed major military threat in Europe; eventually to secure minimum deterrence in both the conventional and the nuclear arena; or to assist in peacekeeping around Europe's periphery as well as around the world.

Finally, evolution of a Europe creating its own identity and securing its own economic competitiveness must not fuel either a return to outdated isolationist tendencies or a backlash of protectionist, exclusionist policies to punish European efforts to drive competitive bargains in trade or in financial or monetary cooperation. The domino effect of such American actions is a real possibility. In the long run, so, too would be the increasing self-marginalization of the United States.

Conclusion

Much may happen to derail the fundamental assumptions made in this essay about the future of American-European relations in the 1990s. Developments in the Soviet Union are the obvious uncertainty. The critical obstacles may be the effects of a rapidly, radically fragmenting Soviet Union and the induction of a chain reaction along its periphery, especially in what has been Eastern Europe. There is still room in the short run for British and French intransigence and for the collapse of the hopeful revolutions in Eastern Europe in the face of economic failures and political vacillation. German unification will run myriad risks, not the least of which is the short-run education and incorporation of a surprisingly xenophobic East German population that has a self-centered economic agenda and an immature political sense. There is always the possibility, but not the probability, of American neo-isolationism.

The United States faces a decade of great challenge and of great opportunity to cooperate in, not create, a new Europe. It will require immense moderation and restraint, a recasting of many of the truisms and lessons of prewar European-American relations, and a reformulation of some, but not all, of the images of Europe the United States has developed since 1945. It will mean adjusting to the new economic competition with Europe (and Japan) with greater equanimity than till now, and downgrading the significance of military power in our foreign policy generally and with regard to Europe in particular. And, it will mean a steadfast insistence on America's continuing stake in an evolving Europe, begun in our own image and now assuming new responsibilities in the liberal international order we have given so much to create. □

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Wolfgang H. Reinicke

The Anatomy of German Unification

As the daily newspaper reports it, the unification of Germany has advanced at breakneck speed. And, indeed, dramatic events have unfolded more quickly than anyone could have anticipated. The Soviet Union's acceptance in July of the right of a united Germany to choose its alliance and thus to reestablish its political sovereignty removed the last remaining major obstacle to the union of the two Germanies. But although formal unification will be completed this fall, culminating in all-German parliamentary elections on December 2, many issues surrounding German unification could take years to resolve.

Reunifying One Nation, Unifying Two States

Most assessments of the likely success and consequences of German unity have focused on the commonalities of the Germanies as a single nation. Many observers see the common culture, language, tradition, and history of the two countries as smoothing the path toward unification. Others, mindful of Germany's history during the first half of the century, fear recreating the past. But unification involves more than simply rejoining a divided nation. It requires the merger of two states that over the past 40 years have defined themselves in the context of two dramatically different economic, political, and social systems. The commonalities are important; so are the differences.

Unification is advancing on different levels and at different speeds. One level — the most publicized — is economic and monetary union, formally completed on July 1. With that union, in essence, East Germany lost its economic, and thus a considerable amount of political, sovereignty. The ultimate success of economic union, however, will depend on the willingness of Western enterprises to invest in East Germany and on the ability of a united Germany to make East Germany an attractive place for such investments and to privatize or liquidate 8,000 state-owned enterprises. A second aspect of unification, political unity, will also be formally completed this year. In October the states in East Germany will reconstitute themselves through local elections; they will then associate themselves with the Federal Republic, and the national election will follow. But making the deutsche mark the sole legal tender of the unified Germany and having national elections will not settle a third form of unification: social. Social unity has been the least publicized aspect of German unity, but it may ultimately be the most important. Much openness, flexibility, and patience will be required, not only of policymakers but also of the people in both societies. Social unity may be a long time in coming.

The ultimate success of German unification will also depend on anticipating and then successfully resolving problems arising from the 40-year integration of East and West Germany into their respective military and economic alliances. At the same time that the two Germanies are becoming united, West Germany, and soon all of Germany, is in the midst of being economically and politically united with 11 other European powers in the European Community. The prospect of European unification had a decisive influence on the attitude of other European countries, East and West, toward German unification, and the Community had considerable leverage in the working out of key unification issues.

For its part, East Germany too is closely integrated into its own alliance system. The most visible consequence is the continued presence of about 700,000 Soviet citizens, including 380,000 soldiers as well as their families and civilian personnel, in East Germany for several years to come. Less visible but equally important is East Germany's integration into COMECON. The economic interdependence is particularly strong in the case of the Soviet Union. About a third of all East German exports go to the Soviet Union, and the Soviet Union ships 11 percent of all its exports to East Germany. The trade relationship is highly complementary. In 1988, more than 65 percent of all

Wolfgang H. Reinicke is a research fellow in the Brookings Foreign Policy Studies program. A West German citizen, he is the author of Political and Economic Changes in the Eastern Bloc and Their Implications for COCOM *(1990).*

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

East German exports to the Soviet Union consisted of machinery, equipment, or means of transport. More than 65 percent of East Germany's imports from the Soviet Union were fuels, mineral raw materials, and metals. All of East Germany's natural gas imports were from the Soviet Union, as were 97 percent of its oil and 75 percent of its pit coal. Energy imports from the Soviet Union meet more than 30 percent of East Germany's energy demand. Similar relationships, codified in long-term trade agreements, exist between East Germany and other countries of Eastern Europe. The success of German economic union will thus depend to a considerable degree on the continued maintenance of these economic ties, while the economic recovery of Eastern Europe and the Soviet Union also depends on the continued links to the East German economy.

The Costs of Unification

The complexity of unification — the multiple levels on which it is taking place, as well as its pan-European ramifications — is exemplified by an issue that is not often discussed: its costs and how they will be shared. From a strictly domestic and economic point of view, the question has an answer that is relatively simple, though seldom mentioned. West Germans have a historical obligation to bear much of the cost. The division of Germany into East and West was the result of actions by Germany as a whole, not just those Germans who were living in the East at the time of the division. For four decades East Germans have endured the consequences of communist dictatorship and economic mismanagement, while their Western countrymen have enjoyed economic growth, prosperity, and democratic governance. The obligation of West Germans to their countrymen in the East is also constitutional. The West German constitution makes unification of the two Germanies one of its primary goals. It also states that West Germany is a state of social justice in which all citizens participate in the costs according to their ability. Because West Germany has never recognized East German citizenship, all East Germans are automatically West German citizens and come under this provision. Given the economic disarray of East Germany, Germans in the West should and probably will carry 80 percent of the costs.

The costs of unification, however, are not strictly economic. Substantial social costs can also be expected to accrue, particularly to East Germans. Few of these costs can be shared. A particularly striking example is the effect that unification is likely to have on East German women. Before unification, up to 94 percent of all East German women were employed. Undergirding this high degree of integration of women into the work force was a social support structure, a central element of which was a universal public child care system. Because West Germany does not offer such a support structure, most East German women are fearful that unification will put an end to the more equal treatment of women in the work force and that women will have little choice but to adjust their role in society to the more traditional pattern common in West Germany. One measure of the fear of women that they may become unemployable because of the lack of day care is that abortions in East Germany have increased dramatically. Also at work in the increase in abortions has been women's fear that restrictive West German abortion laws will be extended to the East and that they will lose a long-held fundamental right. The issue grew so volatile over the summer that the West German government agreed to postpone action temporarily, but no real solution is currently in sight.

Potential costs of German unification, however, do not stop at the German border. At the European Community level, for example, one important question is whether and to what degree the Eastern part of the unified German economy will make use of its eligibility for financial aid from the Community's structural fund. Aggressive use of that fund could result in significant costs to other members of the Community, either because their appropriations will be reduced or because the fund has to be enlarged. In the political realm too there are potential costs to other Community members. With the enlargement of the German population by 16 million, Germany is entitled to a greater number of seats in the European Parliament. While Germany has so far made no official claim to such an increase in its representation, it will do so in the upcoming 1994 elections to the European Parliament. The distribution of power in the parliament will thus be significantly altered. In Eastern Europe, too, German unification could prove costly. Other Eastern European countries will find it more difficult to export their products to what used to be East Germany. They will also have to pay in deutsche marks for East German imports. Globally, a projection of potential risks from rising interest rates due to increased demand for capital will have to await a decision whether the additional capital will be financed by a tax increase or by borrowing on capital markets. It is unlikely that any decision will be made before the election this fall.

Numerous commentators have expressed their concern that unification is proceeding too quickly. They have criticized the inadequacy of political dialogue and parliamentary debate within the Germanies, and they have pointed to the international dangers inherent in the rapid transformation. But German unification involves far more than the formal steps whose progress is being charted in the press. Within Germany, the democratic process must catch up with the peaceful revolution of November 1989. Within a fast-changing Europe, the role of a united Germany is far from settled. The unification of Germany will not be completed this fall. It is closer to the truth to say that it will just begin. □

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Changing Realities, Changing Perceptions

Deterrence and U.S. Security after the Cold War

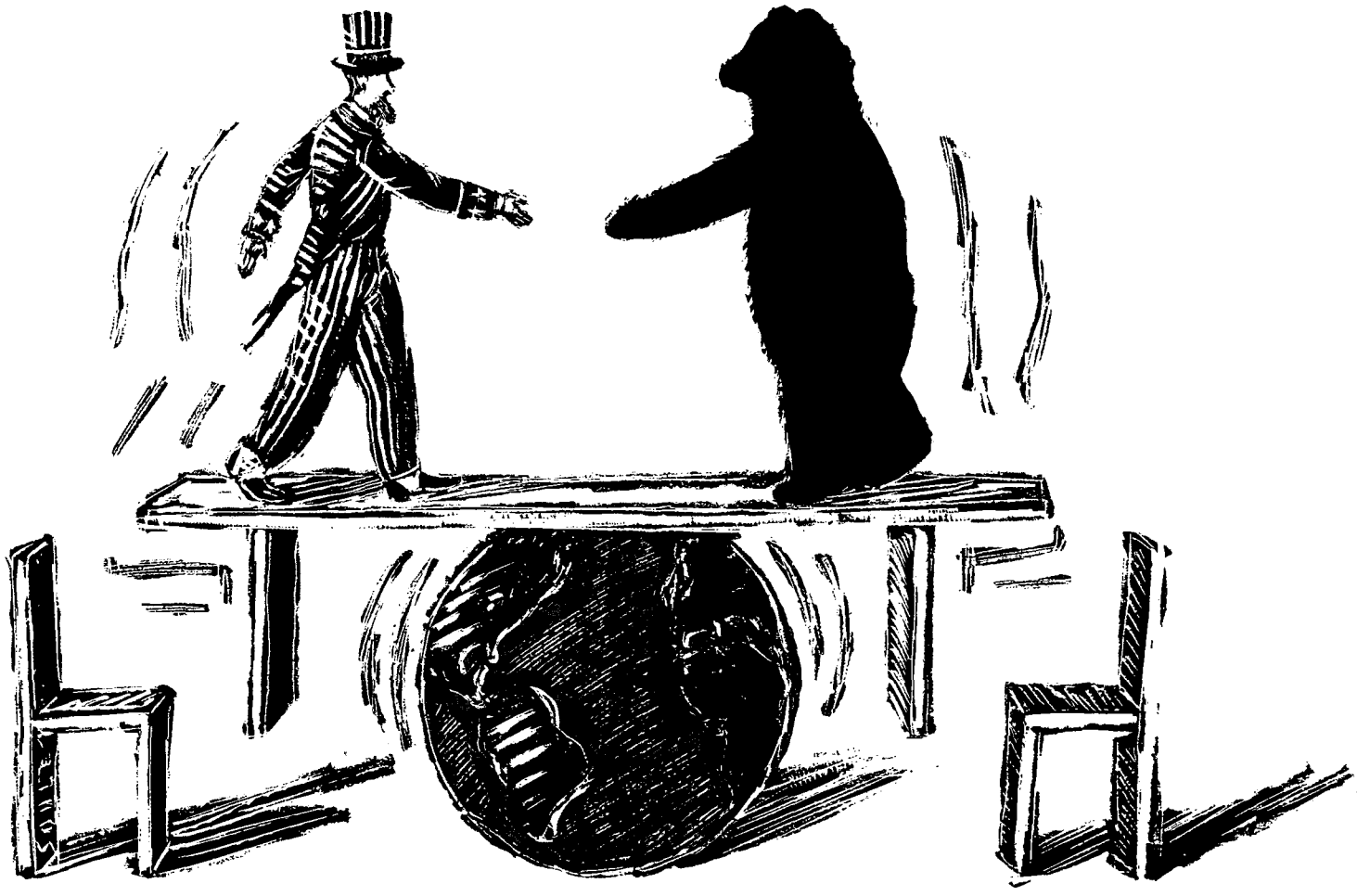
Raymond L. Garthoff

The transformation of the political situation in the Soviet Union and Europe cannot fail to have major implications for U.S. policy and strategy. Deterrence of nuclear war and of possible aggressive Soviet moves remains an American policy objective. In no way, however, can deterrence in the 1990s and beyond compare with the centrality and sometimes urgent priority attributed to this objective in the last four decades. Containment of Soviet expansive impulses, real and imagined, was the cornerstone of American policy during the Cold War. It no longer is because that threat is manifestly less real, and other problems clearly present more actual challenges. To some extent, the Soviet threat, the communist threat, and the threat of war have in fact declined; to some extent, our overexcited past perceptions of such threats have now been brought into line with realities that were never as threatening as they seemed.

The most immediate impact of changes in Soviet, and American, concepts and perceptions of the central security issue — the prevention of war — is naturally on the state of relations between the two countries. Ever since the waning of the alliance in the closing phases of World War II, security concerns about each other have been uppermost in the thinking of both countries. Since the escalation in 1945–50 of political conflict into cold war, dealings between the two countries have been dominated by an adversarial political-military relationship, ranging from uneasy stalemate through occasional sharp confrontations to periods of lessened tension. This adversarial relationship was

Raymond L. Garthoff is a senior fellow in the Brookings Foreign Policy Studies program and former ambassador to Bulgaria. He is the author of Deterrence and the Revolution in Soviet Military Doctrine *(1990). This article is excerpted from the conclusion to that book.*

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED



based on real conflicts of interest; it was not imagined. But it was exacerbated and sustained by perceived threats that were greater than the underlying realities.

Today for the first time there is progress not only in dealing with particular problems, but in dismantling the sources of the conflictual relationship, both the exaggerated fears and the real clashes of interests of the two sides. While some Americans remain wary of, and others are eager to welcome, this momentous change, there is general recognition that it is occurring.

One explanation is that the U.S. policies of deterrence and containment have succeeded, and the new Soviet leadership today finally recognizes the futility of attempts to seek world domination. We have waged well and won the Cold War. Not only is this explanation the easiest to square with our past conceptions; it is also satisfying because it justifies our policies of peace through strength and requires the least revision of our perceptions of Soviet aims. The change is attributed to Soviet recognition of the inadequacy of their capabilities, and thus does not place in question our traditional view of their ambitions. Evident Soviet economic difficulties, their overextension in the third world, and the presumed efficacy of our policies of "staying the course" in modernizing our military deterrent are regarded as having led the Soviets to agree to strategic arms reductions, reduce their armed forces in Europe, withdraw from Afghanistan, contribute to resolving regional conflicts in Central America, Africa, and Southeast Asia, seek normal political and economic relations, and concentrate on domestic economic reform. Under this view the Soviets may (or will) again rebuild their military power once their economic strength has been restored. A strong U.S. military deterrent remains the key.

Another explanation holds that the new Soviet leadership has reassessed the world, now recognizes economic and political strengths in the West and weaknesses at home, and sees security as depending more on mutual reduction of perceived threats than on constant competitive building of military deterrents. Under this view, the Soviet changes are owing not only to recognition of inadequacy of means, but to a new setting of goals as well as priorities. Withdrawal from Afghanistan is in recognition not only of futility, but also of the error in having gone in. Eliminating twice as many intermediate-range nuclear missiles as the United States is recognition not of a surplus, but of an error in building a force in the first place that increased Western fears and military countermeasures. Asymmetrical, and unilateral, reductions in conventional forces in Europe (and in Asia, and in general) are made in recognition that building forces for fighting wars that must not be permitted to occur is both economically unsound and politically and even militarily unsound as well. While not necessarily making wars more likely, the concept of preparing to wage a range of possible wars did preserve tensions.

Illustration by Robert Soulé

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

It also fueled a continuing arms competition that kept alive the possibility of a war escalating from uncontrollable conditions and that fed the political confrontation.

The second explanation is far more persuasive. For one thing, it reflects what the Soviets are saying to one another, and more openly than ever. More important, it reflects more fully and accurately what they are doing. The first explanation can describe why Soviet leaders have ventured upon economic reform, but not why they have embarked on far-reaching political democratization. Nor does it explain why they have permitted and even encouraged the deposing of communist rule in Eastern Europe and retraction of the Soviet military security frontier from the former Iron Curtain to the borders of the Soviet Union — even, in the Baltic states, possibly accepting a retraction of the Soviet frontier.

What should the United States do? President Bush, with wide support, has responded (after initial hesitation) by moving to normalize relations with the Soviet Union. The administration has expanded political consultation, recognized that the Soviet Union as well as the United States has legitimate security interests in Europe, ended economic warfare with the Soviet Union and taken steps to restore nondiscriminatory economic and trade relations, and engaged in arms reduction negotiations.

Normalization of relations may sound like very little. Yet against the history of the 40-odd years of the Cold War, it is an important step and due. "Normal" relations by definition does not mean a complete absence of competitive interests and frictions. But it does mean that relations are based on mutual respect for what the Soviets now call "a balance of interests" and on the need to try to compromise differences. While trust is not automatically extended, it is also not automatically excluded. And trust can grow under normal relations.

Preventing war should be based primarily on eliminating the sources of a possible war, rather than merely controlling the symptoms of a permanent ailment. Nuclear deterrence will no doubt remain a bedrock element of the U.S.-Soviet relationship for the foreseeable future. But while mutual deterrence will remain an element in the relationship, even an essential element, it need not and should not be in the forefront. Indeed, the military relationship as a whole should recede in prominence.

As the bipolar, Cold War–driven, militarily mobilized world of the past several decades is replaced by a multipolar, economically driven, less militarized world, the United States and the Soviet Union may find new challenges not only in their bilateral relations but in their respective responses to other situations and other countries. In some cases — as in response to the Iraqi occupation of Kuwait — the two governments may have common interests and may even engage in joint action. Both may see new virtues in contributing to the role of international organizations.

Elements of cooperation and competition have always coexisted in U.S.-Soviet relations, in confrontation and détente. Even in the depths of the Cold War, there was a common interest in averting war. And in the vaunted détente of the 1970s, each "waged détente" against the other to the ultimate disadvantage of the process as well as of the interests of both powers. Today, not only have cooperative elements again come to the fore, but in the long run the relationship can even develop into a predominantly cooperative one. Détente, already restored in fact, if not in name, can even develop into entente.

While trust is not automatically extended in the newly normalized U.S.-Soviet relations, it is also not automatically excluded. And trust can grow.

The NATO and Warsaw Pact Alliances

The Cold War engendered the confrontation not only of the United States and the Soviet Union, but of the two alliance coalitions that they headed. That situation was new for both sides. Neither the United States nor the Soviet Union had anticipated or previously belonged to a permanent (that is, long-term) peacetime alliance. But of course, despite the absence of war it was not really a peacetime situation; it was the Cold War.

The NATO alliance, it is sufficient to recall, came into being in 1949 chiefly as a reassurance of American commitment to European defense in the wake of the communist subversion of Czechoslovakia and Stalin's effort to strangle West Berlin. After the outbreak of the Korean War in 1950, NATO developed as a functioning military alliance for deterrence and defense, ultimately reliant on American nuclear deterrence.

In 1967 the alliance (with some European qualms) bowed to American pressure to adopt the strategy of flexible response, calling for graduated deterrents based on initial conventional defense in case of attack, resort to a limited nuclear response if and as necessary, and finally escalation to general nuclear war if necessary. To support this doctrine and strategy, efforts were made to ensure a mounting range of strengthened conventional, tactical nuclear, and long-range nuclear capabilities for selective or extensive employment if required.

Soviet military doctrine and strategy also evolved from the mid-1960s into the 1970s, largely in response to the Western adoption of flexible response (as well as to the underlying cause of both, the evolution of strategic

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

nuclear parity). The Western reaction to the Soviet acquisition of modern conventional as well as nuclear forces was not, however, to see a new balance of deterrents, but new threats.

Thus the elaboration of an array of nuclear and conventional military forces on each side was seen by the other as steps taken in active pursuit of new "options" for compellence, that is intimidation and possibly even military action, rather than for strengthening deterrence. Each side at the same time not only regarded its own actions as defensive, but assumed the other side would recognize this benign purpose.

As recently as mid-1989, although before the "Revolution of '89" in Eastern Europe, NATO reaffirmed graduated deterrence as its "strategy for the prevention of war." "For the foreseeable future, there is no alternative to the Alliance strategy for the prevention of war," NATO heads of state declared at their May 1989 meeting. "This is a strategy of deterrence based upon an appropriate mix of adequate and effective nuclear and conventional forces." While that policy still stands, "the foreseeable future" has been unusually short. The "appropriate mix" of military forces is already changing rapidly, and the possibility of building European security arrangements that do not rely so heavily on military deterrents may grow.

NATO has a viability not entirely dependent on its military deterrent strategy. It can play a continuing important security role on other bases, and it will clearly be under challenge in the 1990s to develop these other roles.

NATO has been a mainstay of U.S. and Western European security for the last 40 years; it will not be for the next 40. We should look forward.

The Warsaw Pact, established in 1955, six years after NATO, was extended in April 1985 for a further thirty years. Today, some five years later, most analysts doubt that it will last even to the tenth anniversary of its renewal. While its strategic rationale is not quite so explicitly stated in terms of deterrence as is that of NATO, the similarity is substantial: "Proceeding from the level of the threat of war, the Warsaw Pact member states will continue to take the necessary measures to maintain their collective defense capability at the requisite level," the leaders of the Warsaw Pact nations jointly stated at the time of the Pact's extension. The one significant divergence between the two alliances is that NATO's rationale is not tied to the existence of the opposing alliance. In practice, by the spring of 1990 the Warsaw Pact members were no longer maintaining "their collective defense capability at the requisite level." As a cohesive military alliance, the Warsaw Pact had collapsed.

The rapid disintegration of the Warsaw Pact was due to the internal political transformation of its member states — including, less dramatic only by comparison with the others, the Soviet Union. The new Soviet view of military requirements in Europe had permitted the Soviet political reevaluation that in turn spurred the revolutionary political changes in Eastern Europe.

In a very real sense, Soviet President Mikhail Gorbachev has concluded, and acted decisively on that basis, that military deterrence of NATO attack was no longer necessary. NATO councils have reached no such conclusion, but the evaporation of the Warsaw Pact military threat could not escape notice, and rhetorical reaffirmations of the need to maintain NATO's military deterrent posture are less and less convincing. Increasingly, the rationales of "stabilization" and "insurance" are replacing deterrence, and the underlying purpose of American military presence is increasingly to reassure those Europeans who may still need the security of an American presence and, perhaps unconsciously, to reassure ourselves that we are still wanted and needed by the Europeans.

The NATO decision in July 1990 to underline that any first use of nuclear weapons would be only as a "last resort" was politically helpful. Revision of the "forward defense" strategy was a due and welcome move. So, too, are steps to eliminate short-range ground-based nuclear delivery systems. Real debate over the role of nuclear deterrence has, however, not even begun.

There is a risk that the United States will try too hard to keep NATO alive and in a central role in Europe. If the American position on NATO is perceived by some Europeans as erecting an obstacle to pan-European normalization and to the development of European security institutions, it could be unnecessarily divisive and work to the disadvantage of both the United States and NATO. In addition, if the United States invests its efforts too singlemindedly to buttressing NATO, it may retard the development of the Conference on Security and Cooperation in Europe (CSCE) and other European processes and institutions that can and should play an increasing role in furtherance of European security. NATO has been a mainstay of U.S. and Western European security for the last 40 years; it will not be for the next 40. We should look forward, and we should move forward.

NATO has a good chance of survival to the end of the decade and perhaps beyond *if* it accepts a new mission and a new conception of security. The Warsaw Pact has little chance of lasting out the decade, but if it has a future it also lies in a transitional role of reassurance to the Soviet Union (especially Soviet military and other conservatives), and conceivably a transitional role (along

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

with NATO) in buttressing CSCE and Conventional Forces in Europe (CFE) confidence building and security-building and arms verification activities. But new European institutions that include the United States and the Soviet Union, as well as all European states, in their membership should come increasingly to the fore.

U.S. Military Policy

At least until recently, an American secretary of defense could say: "In a word, our basic defense strategy is deterrence." To be sure, in more than a word, Secretary of Defense Caspar Weinberger made perfectly clear that he meant more than prevention of war. "We seek not only to deter actual aggression but also to prevent *coercion* of the United States, its allies, and friends through the *threat* of aggression," he wrote in his annual report to Congress in 1987.

In early 1990 Secretary of Defense Richard B. Cheney reiterated the standing U.S. objective: "to deter military attack against the United States, U.S. allies, and other U.S. interests; and to defeat such attack should deterrence fail."

There remains a very cautious and reluctant strain in the judgments of successive secretaries of defense on changes in Soviet military doctrine and national policy. As Secretary Frank Carlucci put it in 1988: "Regardless of Gorbachev's stated intentions, Soviet military capability continues to grow, and U.S policy decisions must be made in light of these growing capabilities. Intentions can change overnight. . . . We must ensure that we continue fielding forces capable of deterring aggression at all levels."

The most serious dissonance between U.S. military policy and strategic stability is a disturbing trend in U.S. war planning to target the Soviet leadership.

While the basic objective of deterrence remains, however, it can no longer be equated with our overall defense strategy. Deterrence may be necessary, but it is certainly not sufficient.

In reevaluating U.S. defense policy and posture for the years ahead, planners must clearly prepare for, and seek to deter, contingencies that may never occur. They must also recognize that preventing war is a much broader objective than military preparedness and deterrence. Precisely because intentions are the crux of deterrence, and because intentions are affected by both political and military interactions and perceptions, deterrence and war prevention are too important to be left to those who produce and consume estimates of relative military capabilities.

The United States and NATO must take into account such developments as the massive retraction of Soviet military power from Central and Eastern Europe. Not only have all 60 non-Soviet Warsaw Pact divisions in effect been subtracted from the total available to the Soviet command (and up to half are being disbanded), but within a few years all of the 30 Soviet divisions previously deployed west of the Soviet frontier will no longer be there. All Soviet nuclear weapons will be back on Soviet territory. Soviet forces and major weapons will be reduced, in part by significant unilateral decisions, probably further by agreement in the CFE negotiations.

Strategic force reductions under the strategic arms reduction talks (START) agreement will be a modest, but useful, beginning that can lead to much larger prospective reductions. Public attention has only gradually begun to focus on the fact that although Ronald Reagan and Mikhail Gorbachev agreed in 1985 to conclude a START agreement reducing strategic warheads by 50 percent, the actual net reductions under the draft treaty will be much less — probably about 25 percent by the United States and 30 percent by the Soviet Union. The reason is that some warheads, such as those carried by sea-launched cruise missiles, are excluded altogether from the ceilings, or are counted only nominally (for example, a heavy bomber carrying 20 bombs and short-range attack missiles counts as only 1 warhead; a bomber carrying 20 air-launched cruise missiles counts as only 10 warheads). These changes all favor U.S. systems; the Soviet Union would clearly prefer lower actual ceilings. The generous discounting of these systems does not bode well for future larger reductions, and is even being used to argue for additional buildups (for example, one argument advanced for the B-2 stealth bomber is that it would permit larger forces, given the generous START counting rules).

The most serious dissonance between U.S. military policy and the requirements of strategic stability is not, however, in numbers of strategic forces or even their growing counterforce capabilities. Nor is it the subject of arms negotiation. It is a disturbing trend in U.S. war planning to target the Soviet leadership.

Ever since the Carter administration's Presidential Directive 59 in 1980, but especially under the Reagan and Bush administrations since 1983, the strategic nuclear war plan, the Single Integrated Operations Plan (SIOP), has given greater emphasis and priority than before to targeting the Soviet leadership, in the name of enhancing deterrence. The current plan, SIOP 6F, which went into effect on October 1, 1989, under the Bush administration, carries this tendency to its greatest extreme.

Although in theory targeting leadership can en-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

hance deterrence, it is very doubtful that such action is either needed or effective in calculations that could potentially lead to a Soviet decision to attack. Leadership targeting is at least as likely to help pressure an enemy into preemption in order for him to avoid having his command and control decapitated. While that risk of preemption may be low, knowledge of such an American war plan would probably lead the Soviets to retaliate fully and promptly to any use by NATO of strategic nuclear weapons. Moreover, even in peacetime it could lead Soviet officials to predelegate authority to fire under certain conditions, thus weakening assurance of full control in a crisis. It would surely reduce possibilities for deescalation in case of a conflict and thus reduce possibilities for early termination of the conflict before it got out of control.

There is no better illustration of the unappreciated risks of giving priority to deterrence over considerations of crisis control, conflict deescalation, and war termination. The issue is not, and should not be seen as, one of choosing between deterrence and other means of prevention of war. The need is to have a balanced perception of risks and a balance between preventing deliberate recourse to war and preventing or terminating an unpremeditated conflict.

Capabilities as well as intentions are changing. There are opportunities for significant cuts in U.S. forces even apart from any mandated in reciprocal negotiated reductions. Policymakers and others are already actively reevaluating force requirements. There clearly should be, but is not yet, reconsideration of war planning to give greater recognition to war prevention and termination. The Soviet concepts of security, defense, deterrence, and prevention of war are a highly relevant but so far essentially unused additional input to such reevaluation.

In the past, characterizations of Soviet military doctrine introduced into the U.S. defense requirements debate have ranged from cautious discounting to caricature and outright misrepresentation.

The President's Commission on Strategic Forces (the Scowcroft Commission) in 1983 advanced the eminently sound observation that "deterrence is the set of beliefs in the minds of the Soviet leaders, given their own values and attitudes, about our capabilities and our will. It requires us to determine, as best we can, what would deter them from considering aggression, even in a crisis — not to determine what would deter us." The commission report, though, failed to note that the Soviet Union also had a policy of deterrence and saw a parallel need to estimate what would be seen as an effective Soviet deterrent in Washington. Nor did the report examine the problem that forces procured to demonstrate a credible and assured *deterrent* capability also have a credible and assured *strike* capability. But at least the commission posed the need to try to put ourselves in the Soviet position in evaluating the U.S. deterrent. Efforts to do so, however, misfired badly.

Secretary Caspar Weinberger was very taken with the Scowcroft Commission observation. He quoted it in his next three annual reports to Congress. But his understanding, or at least his presentation, of the Soviet view was, as he wrote in 1984 in his annual report, that "we face an adversary whose leaders have, through their writings, force deployments, and exercises, given clear indications they believe that, under certain circumstances, war with the United States — even nuclear war — may be fought and won." This judgment could be sustained only by very selective and distorted use of the record.

What is needed is a balanced perception of risks and a balance between preventing deliberate recourse to war and preventing or terminating an unpremeditated conflict.

The Weinberger effort to develop a military policy providing "effective deterrence" led to justification of war-waging capabilities. Weinberger was soon arguing (in his 1985 annual report) for U.S. strategic strike capabilities that would persuade the Soviet leaders that "a nuclear conflict could lead to the destruction of those military, political, and economic assets they value most highly." And a year later Weinberger was saying that "incorporation of this insight [on the adversary's perception of deterrence] in operational defense planning for deterrence presents formidable intellectual and institutional problems we have not yet fully resolved." Secretary Weinberger was nonetheless undaunted: "But all the evidence we have suggests that preparing to deter an attack only by assembling forces adequate to deter us under similar conditions could provide too little to deter the Soviets." The attempt to gauge a Soviet perspective on deterrence had become a blind alley.

I have reviewed this recent attempt to introduce recognition of the Soviet perspective into evaluating deterrence requirements to illustrate the difficulty in doing so, and the depth of the gap that has developed. Serious analysis of Soviet thinking, policy, and action in the security field, and of the deficiencies in reciprocal perceptions of the intentions and motivations of the other side, should at least prevent us from making the situation worse by such facile misunderstandings or misrepresentations as those advanced by Weinberger. One can even hope that enhanced understanding would permit actions that reduce mutual threat perceptions and permit reciprocal building down of mili-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

tary forces that do not really contribute to mutual deterrence, by parallel unilateral actions as well as under negotiated arms agreements.

Arms Control and Disarmament

Negotiations on arms limitations and reductions are complex and difficult, even when there is serious interest and goodwill on both sides. But the process of negotiated arms reduction has several important advantages: commitment, verification, predictability, and the opportunity for step-by-step actions.

The present juncture is by far the most propitious ever for arms control. There is a rough equivalence or balance in military forces, permitting equivalent reductions. There are economic incentives, even pressures, on both sides to reduce military expenditures and resource outlays. There is political dialogue and momentum for further agreements. And there is unprecedented readiness to accept monitoring for verification and an ongoing process of monitoring. Confidence in compliance, shaken by some evasions and violations, and also by unwarranted accusations, is gradually being restored. Above all there is the Soviet acceptance of a new concept of security and a desire to reduce the role of military power as well as levels of military forces.

The Soviet policy preference for minimal nuclear deterrence over an indefinite interim period should be engaged. It would also be in the American interest to reduce greatly the strategic nuclear arsenals of the two powers. Multilateral nuclear arms control and reductions will become necessary at a later stage. The far more difficult questions of whether eliminating nuclear weapons is feasible and would serve the interests of world security can be considered in the future.

There is an opportunity for agreement on effective constraints against antisatellite (ASAT) weapons and all weapons in space. Even some forms of strategic ballistic missile defense, if desired, would not be ruled out by barring the stationing of weapons in space.

The Reagan and Bush administrations have argued that continued nuclear weapons development and testing is a requirement imposed by nuclear deterrence. So far there has not been even a willingness to consider lowering the threshold for underground nuclear tests below 150 kilotons. A reevaluation might well conclude that no further nuclear testing was really necessary. At the least, a threshold reduced to 10 or 20 kilotons would permit continued proof testing and moderate modernization at verifiable levels.

Conventional arms reductions in Europe are proceeding apace on the Eastern side even before agreement on a CFE treaty. Nonetheless a CFE agreement remains important to ensure predictability, future commitments, balance among countries, and verification. Also it can be built on for further reductions that may not otherwise occur in a balanced way.

Arms control and disarmament have far better prospects than ever before for success in reducing arms, curbing the arms competition, and contributing to strategic stability and security. This is true both with respect to the U.S.-Soviet arms balance and with respect to Europe. There are two principal reasons. First is the general (though not universal) realization in both East and West of the changed security relationship between NATO and the Soviet Union (and, to the extent still relevant, the Warsaw Pact). Second, and underlying the first, is the shift in Soviet outlook and policy under Gorbachev since the late 1980s. The Soviet Union and the United States have been serious about strategic arms limitation ever since parity was achieved in the late 1960s and early 1970s, as the ABM Treaty and SALT I Interim Agreement demonstrated. On the other hand, this interest has been cautious and conservative, as the Interim Agreement, SALT II Treaty, and START agreement show. Both sides have preferred to protect their own military programs and limit them only minimally, while seeking to limit maximally the forces of the other side. The result has been long periods of negotiation without agreements, and the lowest-common-denominator accords. The Soviet Union has now begun to take much more resolute and far-reaching steps, as its positions in the Intermediate Nuclear Forces (INF) Treaty and Conventional Forces in Europe negotiations demonstrate. There has not yet been comparable American readiness to constrain and reduce its forces, as the terms of the START agreement show (far less than the advertised goal of 50 percent reductions, owing to loopholes and arbitrary counting rules lopsidedly favoring the United States).

Apart from reductions in existing and planned forces, arms control can and should also be more responsive to other measures increasing stability. One prime example is the opportunity to ban antisatellite weapons. In the most recent negotiations, 1977–79, both sides, particularly the Soviets, were still protective of existing programs. In the 1980s, the United States has been unwilling to accept the Soviet proposals even to resume negotiation. Yet development and deployment of ASAT weapons would have a clearly destabilizing effect in times of crisis.

The future of the American Strategic Defense Initiative (SDI) and the question of continuing adherence to the ABM Treaty are among the most important issues of arms control. Apart from questions of technical feasibility, cost effectiveness, countermeasures, and other aspects of strategic evaluation, there is a fundamental issue of the impact of antiballistic missile defenses on strategic stability. In the late 1960s, the United States argued, and the Soviet Union agreed, that deployment of such defenses (beyond one or two strictly limited sites) would weaken mutual deterrence and be strategically destabilizing. In the mid-1980s President Reagan argued that effective defenses could supplant deterrence. American spokesmen since the late 1980s, accepting the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

infeasibility of absolute defenses, have argued that strategic antiballistic missile defenses could reinforce deterrence. The theoretical basis for that proposition can be argued pro and con, balancing deterrence reinforcement against stimulus to arms racing. But in practice it should now be quite clear that deterrence does not need reinforcement and that the net effect of deploying strategic antimissile defenses would be seriously destabilizing.

Other bilateral, multilateral, and even unilateral arms control measures can also contribute to stability. To cite but one important example, the single most effective additional measure to guard against the potentially disastrous consequences of accidental or unauthorized strategic missile launchings would be the installation of "command-destruct" mechanisms that would permit the destruction or disabling of any missile or its warheads launched without authorization. At present, if one or more U.S. ICBM missiles were so launched, the president would have no recourse except to try to contact the Soviet authorities and say that he was sorry but some missiles were heading toward, say, Leningrad. Nor could the Soviets then do anything about it. Theoretically, antiballistic missile deployments could provide a final recourse (at present, only around Moscow). Such a system has been suggested, an Accidental Launch Protection System (ALPS). But the most sensible, economical, and stabilizing measure would be installation in operational missiles of command-destruct mechanisms permitting the destruction of missiles by the country from which they had been launched. Test missiles have such devices, which are used when a missile flies off course or otherwise malfunctions.

Gorbachev's vision of a global security order may be more realistic than reshuffling ideas designed to provide security in a world now past.

The United States has not deployed a command-destruct system. There are tenuous indications that the Soviet Union may have done so. Most intriguing was an unofficial statement attributed to Deputy Foreign Minister Viktor Karpov, who reportedly stated in 1989 that the Soviet Union had installed command-destruct devices in accordance with Article 2 of the Accident Measures Agreement of 1971. Under that provision, the parties have undertaken in case of, for example, an accidental nuclear missile launching to "immediately make every effort to take necessary measures to render harmless or destroy such weapon without its causing damage." The United States has not considered that an obligation to require us to install a command-destruct system in U.S. strategic missiles. Whether or not the Soviet Union has done so, it would be highly desirable for both countries to do so. This could be done without degrading operational readiness of the missile forces, and it would add significant protection against accidental or unauthorized missile launchings.

Global Order and Security

The most significant prospect, if also the most ambitious and difficult to realize, is the vision of an emerging new global security order. A new understanding of the very conception of security has been evident ever since Gorbachev's address to the 27th Party Congress in early 1986. This remarkable change in thinking by the new leadership of the Soviet Union cannot alone bring about the kinds of change envisaged. But such changes could not develop without it. "New thinking" is also needed in the United States. And there are increasingly many other relevant actors on the world stage who must come to participate. Most important are the underlying realities on which Soviet, American, and other concepts of security must be based. Growing global interdependence in many spheres — economic, ecological, cultural, and political, as well as military — reflect new interrelationships and require new arrangements.

Gorbachev's vision of a "comprehensive system of international security" appears utopian, but if it is seen as a goal and its realization as a long process of building on existing foundations, it may not be unrealistic. Indeed, it may be more realistic than attempting to reshuffle long-familiar concepts and institutions designed to provide security in a world now past.

We can have no objection to the effort to develop political, economic, and humanitarian as well as military dimensions of security. Indeed, Gorbachev has now articulated and advocated many ideas long championed in the West. To the extent we believe they should be modified or supplemented, we should advance our own ideas.

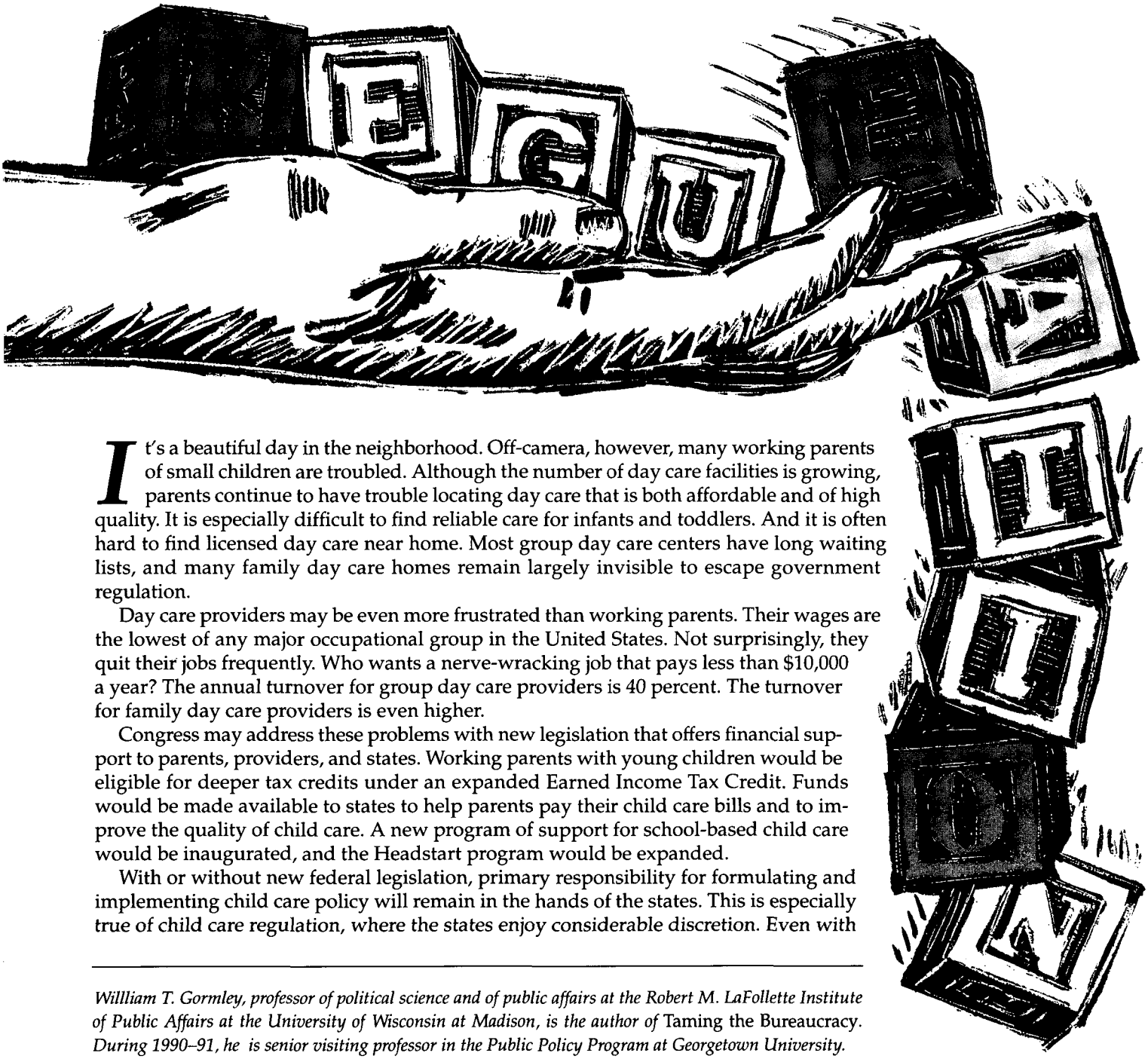
It is not my purpose here to attempt to elaborate the shape or scope of a global security order, but to note the unparalleled opportunity for collaboration in working toward one.

The prevention of war remains a bedrock objective of all sane people. We also need ways of strengthening peace. Nuclear deterrence is likely to remain an element in efforts to prevent war, and should be made more stable. But it should not be confused with the objective. Deterrence is a means of preventing war; it is not a means of regulating political disputes. Even as a means of preventing war, it is clearly not fail-safe. It therefore cannot be the solution for the indefinite future. The Soviets recognize that truth. So should we. □

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Regulating Mister Rogers' Neighborhood: The Dilemmas of Day Care Regulation

William T. Gormley, Jr.



It's a beautiful day in the neighborhood. Off-camera, however, many working parents of small children are troubled. Although the number of day care facilities is growing, parents continue to have trouble locating day care that is both affordable and of high quality. It is especially difficult to find reliable care for infants and toddlers. And it is often hard to find licensed day care near home. Most group day care centers have long waiting lists, and many family day care homes remain largely invisible to escape government regulation.

Day care providers may be even more frustrated than working parents. Their wages are the lowest of any major occupational group in the United States. Not surprisingly, they quit their jobs frequently. Who wants a nerve-wracking job that pays less than $10,000 a year? The annual turnover for group day care providers is 40 percent. The turnover for family day care providers is even higher.

Congress may address these problems with new legislation that offers financial support to parents, providers, and states. Working parents with young children would be eligible for deeper tax credits under an expanded Earned Income Tax Credit. Funds would be made available to states to help parents pay their child care bills and to improve the quality of child care. A new program of support for school-based child care would be inaugurated, and the Headstart program would be expanded.

With or without new federal legislation, primary responsibility for formulating and implementing child care policy will remain in the hands of the states. This is especially true of child care regulation, where the states enjoy considerable discretion. Even with

---

Willliam T. Gormley, professor of political science and of public affairs at the Robert M. LaFollette Institute of Public Affairs at the University of Wisconsin at Madison, is the author of Taming the Bureaucracy. *During 1990–91, he is senior visiting professor in the Public Policy Program at Georgetown University.*

Illustration by Robert Soulé

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

new federal funding, state governments will be free to decide which day care facilities will be regulated. Within limits, states will also be free to decide how the regulated facilities will operate. In child care policy, as in many other policy arenas, the principle of federalism remains strong.

At its best, federalism enables state governments to experiment with public policies and institutional arrangements that fit their traditions, resources, demographics, and considered convictions. At its worst, federalism enables state governments to behave irresponsibly. Day care is a salient enough issue in most states that utter neglect is unlikely. On the other hand, there is no guarantee that states will choose wisely. Some states may go too far, in their zeal to protect children; others may not go far enough. And many states may focus exclusively on their own rules and regulations, while local governments unwittingly undermine state policies.

As the day care spotlight now shifts back to the states, a critical review of state regulation is in order. It is particularly important to understand the consequences, for good and ill, of state regulatory regimes. Once these consequences become clear, it is possible to envision a form of state regulation that can simultaneously increase the affordability, availability, and quality of day care in the United States.

How the System Works

The primary regulators of day care are state human services agencies. They license and inspect both family day care homes, in which an individual cares for a small number of children at home, and group day care centers, in which a nonprofit or for-profit organization cares for a larger number of children. Group day care regulations normally cover such items as the ratio of children to staff, the size of the groups of children cared for within the center, and training requirements for providers. Family day care regulations usually cover ratios and training requirements, though the training requirements are typically lower than those for group day care centers (*see table 1*).

In general, states regulate group day care centers more tightly than family day care homes. Group day care centers, for example, are often expected to have jungle gyms on a safe and resilient surface, sprinkler systems, and general liability insurance. Family day care homes are usually expected to have a fenced backyard, fire extinguishers, and access to an automobile in case of an emergency.

Despite these general patterns, regulations governing a 100-child group day care center and a 4-child family day care home are not as dissimilar as one might imagine. In Montana both family day care homes and group day care centers must carry liability insurance. In New York both must conduct regular fire drills. In North Dakota both types of facilities must ensure adequate humidity during the winter. And in Nevada both must be inspected twice a year.

In many states, human services agencies share jurisdiction over day care with local governments. The precise arrangement varies widely from state to state and community to community. Building inspections, for example, may be handled by state building inspectors, state human services officials, local building inspectors, or some combination of the above. Similarly, health inspections may be coordinated by state, county, or city officials. As a general rule, a group day care center is subject to some local regulation. In many communities it must secure approval from the building department,

Table 1. Training and Education Requirements.
Percent

	None	Fewer than 6 hours	6 hours	More than 6 hours
Providers, family day care homes	60	26	8	6
	None	Less than High school diploma	High school diploma or equivalent	High school diploma plus additional coursework or experience
Teachers, group day care centers	18	28	14	40

Source: Author, content analysis of rules and regulations from all 50 states. Spring 1990. Training requirements refer to initial training requirements, as opposed to continuing training requirements. In some instances, training may take place after employment begins. At group day care centers, provider training requirements differ for directors, teachers, and assistant teachers.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the zoning board, and the fire department. It may also be necessary to get a business license. Local regulation of family day care homes varies more dramatically. Some local governments do not regulate small day care homes at all, while others regulate them tightly. Many communities take the number of children into account. Thus, in Santa Fe, New Mexico, a family day care home with five or fewer children is unregulated, while a home with six or more children must have a business license and an occupancy permit.

As might be expected in a country as big and as diverse as the United States, huge disparities exist, not only within states but between states, in day care regulation. Day care is excessively regulated in some states and localities, and insufficiently regulated in others. Neither extreme serves parents, providers, or children well.

Regulation and Its Effects

Numerous studies have demonstrated that regulation can improve the quality of care at group day care centers by upgrading provider training, lowering group sizes, and reducing child-staff ratios. An early Abt Associates study of centers in Atlanta, Detroit, and Seattle found that children with well-trained teachers interact more with their teachers and score better on standardized tests than do children with poorly trained providers. Somewhat surprisingly, the Abt Associates study found that low child-staff ratios, though beneficial, made less of a difference. The size of a group, they concluded, matters more than the actual ratio of providers to children, at least for preschool children exposed to ratios between 5:1 and 10:1.

More recently, the National Child Care Staffing Study, examining a wider range of ratios, concluded that ratios are in fact more important than group size and that low ratios are associated with developmentally appropriate activity. The same study, based on observations in 227 group day care centers in five metropolitan areas, found that the better trained and educated the teacher, the more sensitive and appropriate the caregiving.

Studies of family day care regulation and its effects are fewer and less precise. One study of family day care in Los Angeles, Philadelphia, and San Antonio found that regulated family caregivers interact more with children than do unregulated caregivers, thus contributing positively to the children's development.

Unfortunately, the effects of government regulation are not entirely positive. While regulation can improve the quality of the care given to children, it can also decrease the supply and raise the costs of day care, thus aggravating two already serious problems. It can also, ironically, result in fewer regulated facilities.

In many communities, local zoning ordinances have been used to block new group day care centers or to shut down existing facilities. In Shorewood, Wisconsin, a Milwaukee suburb, zoning ordinances do not allow group day care centers in commercial buildings. In a not unusual episode, the local planning commission in nearby Glendale twice denied an application for a group day care center in a shopping mall after neighbors objected to the prospect of noise in an adjacent playground. The commission eventually approved the application but only after the provider and the neighbors agreed on a plan to limit the noise. The neighborhood grouch, apparently, is not an endangered species.

Family day care homes, which are smaller and less conspicuous than group day care centers, may or may not be required to secure zoning board approval. When they are, the experience can be frustrating. In DeKalb

Numerous studies have demonstrated that regulation can improve the quality of care at group day care centers. But while regulation can improve the quality of care, it can also decrease the supply and raise the costs of day care, thus aggravating two already serious problems. It can also, ironically, result in fewer regulated facilities.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The one requirement that should be stressed, in regulating both group day care centers and family day care homes, is training. It is beyond dispute that better-trained providers offer higher-quality care to children. And providers do not object to training requirements as they do to many other regulations.

County, Georgia, a zoning permit, even for a family day care provider who wishes to care for one child, requires inspections by a building inspector, an electrical inspector, and a plumbing inspector. According to one informal study, eight of ten family day care providers in the county simply ignore the requirements. As a consequence, these day care homes are totally unregulated. Thus a system designed to promote maximum regulation in effect promotes minimum regulation by driving providers underground.

Regulation by localities is not alone in causing problems. In my own study of state regulation in all 50 states, I found that requiring lower child-staff ratios worsens the supply of group day care centers, both nonprofit and for-profit, and that requiring more rigorous inspection lowers the supply of regulated family day care homes.

State and local regulation can also increase the cost of child care. The Abt Associates study of group day care centers found, not surprisingly, that lower child-staff ratios result in higher costs. My study of family day care regulation in Milwaukee County, Wisconsin, found cost increases directly attributable to regulation. The mean cost of home improvements alone was $936 per provider.

Clearly, some regulations promote quality at the expense of availability or affordability. Others, it is important to note, do not. Training requirements, for example, improve quality but have no adverse effects on the supply of group day care centers or regulated family day care homes. Hygiene requirements, such as immunization requirements, have no negative effects. Liability insurance requirements do not reduce the supply of group centers, and low infant-staff ratios do not reduce the supply of regulated family day care homes. As states review and revise their regulations in light of the new federal legislation, they need to unpack bundles of regulations to determine which ones are most desirable in view of these mixed effects. They also need to think more imaginatively about strategies for improving quality without undermining other important goals.

Regulatory Content

In most states, both group and family day care providers confront a substantial body of government regulations that seek, first of all, to guarantee the health and safety of the children in care. Beyond that, certain regulations promote the mental, physical, and emotional development of children. Many states require day care centers to offer opportunities for both "large muscle" and "small muscle" development. And many states prohibit family day care providers from resorting to disciplinary practices that could damage a child's self-esteem.

In fact, such regulations are the tip of a large iceberg. The actual number of pages in regulatory handbooks offers some indication of the scope and depth of state regulations. Requirements for family day care homes average 16.6 pages; those for group day care centers, 30.2 pages. The actual number of regulations is considerably higher. In Connecticut, for example, a 19-page handbook includes 133 regulations. And these are just the regulations of state human services agencies. In most communities, state or local building codes also apply.

Despite all the regulations, state inspectorates remain quite small. In Dane County, Wisconsin, which includes Madison, one inspector oversees 187 family day care homes; another, 160 group day care centers. No matter how conscientious and energetic these inspectors are, they cannot possibly attend to all regulations with that kind of workload. In states with many regulations and few inspectors, a relatively small percentage of regulations will be enforced. One wonders what purpose the unenforced regulations serve.

Some state regulators argue that the unenforced requirements crystallize norms of good practice. But instructive and helpful as such norms can be, they should be disentangled from state regulations and published separately. Providers cannot be expected to divine which rules are requirements and which are merely recommended practices. Nor can regulators maintain credibility when no one is sure what they are requiring. A slimmer volume of regulations consisting of essential re-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

quirements would be both less intimidating and more likely to be taken seriously.

What should day care regulations emphasize? At the moment, they stress the three B's: buildings, bodies, and bugs. Day care facilities must be located in an appropriate district and must meet certain square footage requirements, both inside and outside. Electrical and plumbing standards must be met. Exits must be strategically located in case of fire. If double exits are not available, certain floors may not be used. A count of bodies is also emphasized, on the assumption that a low child-staff ratio will improve the quality of the child's day care experience. These ratios vary, depending on the age of the child. Adjustments are often made if the provider's own children are present in a family day care home. Finally, efforts are made to reduce the spread of contagious diseases. In most states, children must be immunized against certain diseases before or shortly after enrolling in a day care center. In most states, providers must ensure that children wash their hands before and after eating and after using the lavatory. Limits are often placed on the presence of sick children. And certain pets are prohibited for fear that they might carry contagious diseases.

The logic behind these and other regulations is easy enough to grasp. And many of the regulations make a good deal of sense. After all, children cannot protect themselves. On the other hand, some of these regulations pose real problems to providers. And some are difficult to justify, given the costs they impose.

The biggest problem that group day care centers face is compliance with child-staff ratio requirements. At most group day care centers, wages account for well over half of operating costs. As ratios decline, costs increase, reducing the supply of group day care centers and aggravating the affordability problem.

I do not dispute the connection between low ratios and quality. But that connection is stronger at higher thresholds than at lower thresholds and more important for infants and toddlers than for older children. Nor are low ratios the only way to ensure certain quality improvements. Although low ratios increase interaction between the individual child and the provider, improved training of providers accomplishes the same goal.

Family day care homes face a different problem. Most family providers do not wish to care for large numbers of children. And many do not expect to remain in business long. Many mothers of young children, for example, are willing to care for several children for several years to be able to remain at home. The option is considerably less attractive if they must tear their house apart, at great cost, to do so.

Building code requirements applicable to group day care centers are simply inappropriate for small family day care homes. Such providers should not be required to substitute copper pipes for plastic pipes or to build a fence around their backyard if a perfectly suitable playground is nearby. They should not be required to replace bathtubs and kitchen sinks. With some exceptions involving basic health and safety, they should be allowed to offer a home environment roughly comparable to that which average Americans offer their own children. All that should be required in a family day care home are fire extinguishers and smoke detectors and access to a vehicle in case of emergencies. Children should also be immunized to prevent the spread of disease. Regulators should not venture far beyond these standards in pursuing the three B's.

The one requirement that should be stressed, in regulating both group day care centers and family day care homes, is training. It is beyond dispute that better-trained providers offer higher-quality care to children. And providers do not object to training requirements as they do to many other regulations. In interviews with 64 would-be family day care providers in Milwaukee County, Wisconsin, I encountered many objections to government regulations. But only 1 of the 64 complained about training requirements — this in a state whose family day care training requirements are the toughest in the country.

Aside from the documented positive effects of provider training on interactions between providers and children, training enhances providers' self-esteem. Training contributes to a sense of professionalism that is essential if day care is to become a highly regarded and well-paid occupation. And training offers the best possible justification for deregulation. If providers were better trained, government inspectors would not need to visit day care facilities as often, and they could rest assured that norms of good practice were well understood by providers.

Overlapping Systems

If it is possible to have too many regulations, it is also possible to have too many regulators. A group day care center with 100 children and a full-time director may deal deftly with a series of inspectors from state and local agencies. But a family day care provider who cares for a few children at home may find overlapping regulatory systems confusing and threatening.

The extent of local regulation is considerable. In a recent survey of U.S. cities with population greater than 50,000, I found extensive local regulation of relatively small family day care homes. For example, family day care providers who care for six children are required to have a business license in 39 percent of these cities; an occupancy permit in 43 percent; and a zoning permit in 28 percent (*see table* 2). Family providers who care for more than six children are even more likely to be regulated by local officials.

Local regulations fall into two categories: building regulations and zoning regulations. Both types may go to extremes, but there is a fundamental distinction between the two. Building regulations seek to promote health and safety; zoning regulations, peace and tranquility. In the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Table 2. Local Regulatory Requirements for Family Day Care Homes.
Percent

	Business license	Occupancy permit	Zoning permit
Four children	22.4	19.5	8.6
Six children	39.3	43.0	28.0
Eight children	52.4	62.2	46.5

Source: Author, questionnaire survey of building inspectors and family day care experts in cities with populations greater than 50,000. Spring 1990. The numbers of cities that responded with information on how they regulate a particular category of family day care homes were: 210 for homes with 4 children, 214 for homes with 6 children, and 185 for homes with 8 children.

context of day care, building regulations protect children, while zoning regulations protect neighbors.

It is hard to understand why residents of a residential neighborhood would need protection from children. The laughter of young children is emblematic of a residential neighborhood, whether arising from an open fire hydrant in front of an urban apartment building or from a plastic wading pool on a lush green lawn in the suburbs. Zoning regulations that prohibit family day care homes in residential neighborhoods fit uneasily in a society that professes to value families and children.

Some dozen states prohibit local governments from using zoning ordinances to bar family day care homes from residential neighborhoods. One or two other states have taken smaller steps in the same direction. Michigan prohibits small communities from keeping small family day care homes out of residential neighborhoods, but allows cities to impose such restrictions. The two-tiered policy makes little sense. The need for family day care homes is great in urban and rural neighborhoods alike. Local governments should not be allowed to use zoning to restrict the supply of family day care homes in any community.

A zoning preemption law is easily drafted and easily enforced. Wisconsin's statute, enacted in 1984, states that "no municipality may prevent a family day care home from being located in a zoned district in which a single-family residence is a permitted use." The law defines family day care homes and emphasizes that municipalities are free to apply zoning regulations applicable to all residential dwellings to family day care homes as well. If New Jersey had such a law, family day care homes would be permitted in residential neighborhoods in Clifton, where they are currently banned. If Florida had such a law, family day care homes with more than two children would be allowed in Tallahassee. More broadly, such legislation reminds local governments that they ought to be encouraging a wide variety of day care arrangements.

Specifying the proper role of other local agencies in regulating family day care homes is more difficult. On the one hand, local building inspectors can draw the attention of providers to structural problems that could pose a threat to the safety of children — for example, a rotting porch or a dangling electrical wire. On the other hand, local building inspectors tend to view a family day care home as just another business. If they expect a family day care provider to meet the same requirements as a tavern owner or a beautician, they will drive many family day care providers out of business or underground.

The solution, I believe, is to have building inspections without building inspectors. A well-trained state human services inspector could be alert to building safety hazards and could call in a professional inspector in cases that required a more expert appraisal. Usually, however, one person would inspect the family day care home. Such a streamlined regulatory system would assure the family day care provider that she need deal with only one agency. Once she meets its requirements, she need not worry about another set of rules.

Another alternative worth considering is consolidated local regulation through a city or county day care office. Such an arrangement has worked splendidly in Pinellas County, Florida, where the county licensing board regulates family day care homes that care for one to five children. The licensing process includes an initial home visit and several basic requirements — a tuberculosis test, a criminal records check, a three-hour orientation session, and a two-hour session on child abuse. Follow-up visits ensure enforcement, while helpful services, such as training programs and toy lending libraries, ensure provider cooperation. Under normal circumstances, no other government agency gets involved. The strategy has succeeded, thanks to secure funding and strong community support. Pinellas County, with only 180,000 residents, has 1,254 licensed family day care homes.

Group day care centers are better able than family day care homes both to absorb regulatory costs and to adapt to building code requirements. If group day care centers need relief, it is relief from local zoning boards. To be sure, zoning boards have a right to be attentive to

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Most family day care providers are more like Kansas farmers than Kentucky moonshiners. They do not object to government regulation itself, only to certain forms of it. Indeed, some regulated providers complain that no one visits to offer tips concerning health and safety. Family day care providers are not quite as lonely as the Maytag repairman, but they do appreciate some attention.

serious traffic and parking problems that could be posed by a large group day care center. Group day care centers, however, should have some opportunity to seek relief if they are treated unfairly by local zoning boards. Perhaps a state ombudsman, in the human services department or in the lieutenant governor's office, could apprise group day care centers of their legal rights and caution local zoning boards against violating those rights. One might even imagine an arrangement by which state ombudsmen would help to mediate disputes between group day care centers and local zoning boards. States could thereby encourage day care while recognizing legitimate local interests when relatively large facilities are proposed.

As an alternative, state-funded private mediators could negotiate disputes between group day care centers and local governments or between such centers and their neighbors. In some instances, a "win-win" situation could easily emerge. For example, a group day care center might agree to donate space for community functions in return for a special use permit or zoning variance. Without a mediator, lines of cleavage may harden and possibilities for compromise vanish. With a mediator, lines of communication would remain open and creative settlements could emerge.

The Safety Net

The selective deregulation of day care that I am recommending is a far cry from nonregulation. I would even argue that a reasonable regulatory regime could be extended to currently unregulated providers without jeopardizing the availability or affordability of day care. A compact system of day care regulation is a sensible alternative to the twin extremes of overkill and laissez faire. If providers in some states deserve greater regulatory relief, children in other states deserve greater regulatory protection.

At the moment, church-run group day care centers in 12 states are entirely or partially exempt from government regulation, to the detriment, there is reason to believe, of the quality of care in these facilities. According to the National Child Care Staffing Study, secular nonprofit day care centers hire better-trained teachers than religious nonprofit centers. A key reason for this, one supposes, is that church-run centers exempt from government regulations have weaker training requirements. This is not to say that day care is bad at church-run centers, only that it could be better.

Extending state government regulation to all church-run day care centers would not drive currently unregulated centers out of business and thus would not aggravate the availability problem. In my nationwide study, I found, after controlling for other variables, that the supply of group day care centers is no greater in states that exempt religious facilities than in states that regulate them.

Nor would extending regulation alter the religious character of currently unregulated programs. As in regulated church-run programs, churches would still be free to admit the children of church members on a preferential basis. They would still be free to hire church members as teachers on a preferential basis. And they would still be free to stress religion in their daily activities. In a variety of ways, however, their program quality could be expected to improve. In particular, they would become more sensitive to health and safety considerations. And staff members would be better trained.

If group day care could benefit from a wider regulatory net, family day care could benefit even more. According to some estimates, three out of four family day care homes are unregulated. No one is sure how many of these homes are operating illegally, but many are complying with the letter of state law. The fact is that 35 states exempt some family day care homes from state regulatory requirements.

Most family day care providers are more like Kansas farmers than Kentucky moonshiners. They do not object to government regulation itself, only to certain forms of it. Indeed, some regulated providers complain that no one visits to offer suggestions concerning health and safety. Family day care providers are not quite as lonely

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

as the Maytag repairman, but they do appreciate some attention. Reasonable regulation will be resisted and resented only by a hard core of providers who have something to hide.

The extension of state government regulation to family day care homes must be handled with sensitivity. A blunderbuss approach could drive some providers out of business altogether. Particular care should be taken in rural areas, where family day care may be the only option available to working parents with young children. In designing new regulatory systems, states must bear in mind that a family day care home is primarily a home and only secondarily a business. States should try to make regulation of those homes as reasonable as possible, taking special care to minimize intrusiveness and costliness.

One possibility would be to have nonprofit organizations, such as resource and referral agencies, which help parents and providers to find one another, handle some inspections on behalf of the state. These nonprofit agencies, such as BANANAS in the San Francisco Bay Area or PATCH in Hawaii, already have a good rapport with many providers. At the same time, they are unlikely to be "captured" by providers, given their strong commitment to child welfare. Contracts to perform home visits would be a welcome source of funding to these vital organizations and could encourage the formation of more. Contracting out may not be necessary or desirable in all states, but it is worth considering, especially in those states where government regulators are viewed with suspicion.

Conclusion

Our day care system, for all its adaptability, continues to face some severe challenges. Unfortunately, state regulations are part of the problem. Low child-staff ratios, well-intentioned though they may be, increase the number of employees at group day care centers but also reduce wages per employee. Turnover is considerably higher at group day care centers with lower wages. Thus a regulation aimed at improving quality may ultimately worsen quality by making it difficult to recruit and retain skilled employees. Children may benefit from more personal contact with a provider, but they also benefit from sustained contact with the same provider over time. Unless the problems of low wages and high turnover are solved, group day care centers will continue to shortchange children and parents.

Wages and turnover are even worse at family day care homes. The key to making family day care more appealing, however, may not be higher wages but lower costs, especially start-up costs. Family day care providers might be more willing to offer services if they did not have to remake their homes to meet stringent code requirements that their neighbors are not expected to meet. They might be more willing to meet state licensing requirements if they faced fewer inspections and fewer inspectors.

In deciding which family day care homes to regulate and which to exempt, state and local governments have usually focused on the same criterion — the number of children in care. In Illinois, family day care homes with four or more children must be regulated, while those with one to three children are exempt. If some family day care homes are not to be regulated, some cut-off point must be found. However, it is by no means clear that the number of children under care is the most appropriate criterion.

In fact, a well-trained provider who cares for eight children at home needs regulation less than a poorly trained provider who cares for only one. A well-trained provider knows how to prevent accidents and fires; a poorly trained provider does not know how to deal with an emergency when one occurs. A well-trained provider knows how to stimulate several children at once; a poorly trained provider may have trouble interacting with a single child. A well-trained provider understands the basics of hygiene, nutrition, and sanitation; a poorly trained provider may not.

If any family day care homes are to be exempted from ongoing government regulation, they should be those with well-trained providers — those, for example, who have already taken at least one three-credit college course in child development. Exempting such caregivers from regulation would allow government resources to be concentrated on facilities where problems exist. Or one could imagine a hybrid system in which very small day care homes are exempt from government regulation, but only if the provider receives a certain amount of training. Either arrangement would be an improvement over the status quo.

A federal system such as ours yields both successful and unsuccessful experiments. In day care, states have inherited an old patchwork of local regulatory arrangements never intended for day care. Most states have grafted new day care rules onto this rickety system. The result is a kind of hyper-federalism, in which states, cities, and counties play confusing and overlapping roles. Such a regulatory system is particularly poorly suited for family day care homes, which are fragile enterprises. Family day care, however, is much more likely than are group day care centers to provide the care for infants and toddlers that is increasingly in demand today. We cannot afford to lose family day care providers. Nor can we afford to lose group day care teachers, who abandon their jobs at alarming rates. If we are to keep them, we need to pay them much better. One way to do so is through much higher government subsidies. Another is to allow child-staff ratios to rise to levels already prevalent in West Germany and France. Higher ratios, better training, and better pay can simultaneously improve quality, affordability, and availability. Mister Rogers' neighborhood does not necessarily need more adults. But it does need adults with incentives to stick around for more than one season. □

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

MYTHS & REALITIES

Why Most of What Everybody Knows about Long-Term Care Is Wrong

Joshua M. Wiener and Katherine M. Harris

The place of long-term care on the national policy agenda has risen dramatically in recent years. Over the past year, *Newsweek* devoted a cover story to Alzheimer's disease, the *New York Times* ran a four-part story on long-term care, and Walter Cronkite narrated a special program on financing issues. Several key members of Congress in both houses have introduced legislation to overhaul the financing of long-term care. And long-term care is receiving equal billing with hospital and physician care in major reviews of health policy by the U.S. Bipartisan Commission for Comprehensive Health Care (the Pepper Commission), the White House Domestic Policy Council, and the Social Security Advisory Council.

As policymakers have hurriedly educated themselves about chronic disability, nursing homes, and home care, a body of conventional wisdom about long-term care has developed. Unfortunately, much of it is simply wrong. Of the many unfounded notions about long-term care currently in circulation, eight myths are especially prevalent.

Joshua M. Wiener is a senior fellow in the Economic Studies program at the Brookings Institution, where he has conducted extensive research on long-term care. He is the coauthor, with Alice Rivlin, of Caring for the Disabled Elderly: Who Will Pay? *(Brookings, 1988). Katherine M. Harris, who recently received a master's degree in economics from the University of Michigan, is a research assistant in the Economic Studies program at Brookings.*

MYTH 1: THE LONG-TERM CARE ISSUE AFFECTS ONLY THE ELDERLY

It is true that long-term care disproportionately concerns people aged 65 and over. But great numbers of people under 65 are also affected, both as the chronically disabled and as caregivers.

First, not all disabled people are old. At least a quarter of all adults who have trouble performing such basic personal tasks as eating, bathing, and dressing are under age 65. Broader definitions of disability that include such tasks as doing housework, shopping, and managing money increase the figure to 46 percent. Although disability is much more prevalent among the over-65 population, there are many more people under the age of 65 than over. So even a low disability rate among those under 65 produces a significant number of nonelderly disabled.

Despite their numbers, we know little about the characteristics and service needs of disabled people under age 65. We do know that they tend to make less use of paid services, such as home care and nursing home care, than do the elderly. But we don't know why.

Second, long-term care issues affect not only disabled Americans themselves, but also their families. When aging parents require care, it is usually their children who are called upon to provide it. Almost two-thirds of unpaid caregivers to the disabled elderly are under 65. And coping with a disabled elderly relative is becoming an increasingly common experience, largely because

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

people are living longer. In a national survey of voters of all ages, 47 percent said that someone in their family had already needed long-term care.

Because long-term care is an important family issue and not just a narrow interest of the elderly, public opinion polls reveal little evidence of tension between young and old about devoting resources to long-term care. Public opinion surveys, including those by the Daniel Yankelovich Group, consistently find that younger age groups support public spending for long-term care as much as, if not more than, older groups do. The consensus holds firm even when it comes to paying additional taxes.

Because long-term care is an issue involving the disabled of all ages and their relatives, equity would demand that the under-65 group be included in any future public program. Except to hold down costs, there is no good reason to limit initiatives to the elderly. Still, more research into how to serve the younger disabled population and how to support caregivers meaningfully is crucial to an effective and affordable program.

Myth 2: In the Good Old Days Families Took Care of Their Elderly Parents at Home, but Now Families Just Dump Disabled Relatives into Nursing Homes

The second myth laments the collapse of the extended family and the selfishness of the current generation. The reality is that disability rates increase rapidly with age. In the good old days, elderly relatives rarely lived long enough to develop chronic disabilities. The quadrupling of the number of elderly people in institutions between 1950 and 1980 was due not to families abandoning disabled relatives, but to falling death rates. More than two-thirds of the increase can be explained solely by the jumps in the absolute number of older Americans and the disproportionate growth in the population aged 75 and older, who have the greatest long-term care needs. One sign that families are not abandoning their disabled relatives is that nursing home use rates actually fell a little between 1977 and 1985.

In fact, most disabled elderly Americans continue to live in their communities, assisted by their relatives. In 1982, for instance, only about 21 percent of the disabled elderly were in nursing homes. Of those who were not in nursing homes, nearly 90 percent received unpaid support, mostly from wives, daughters, and daughters-in-law. American families devote enormous time and energy to the care of disabled relatives. The costs are emotional and physical as well as financial. One study estimated that 27 million unpaid, informal care visits were made each week in 1980 by family and friends.

Without unpaid family caregivers, public spending on long-term care would far exceed current levels. Predictably, policymakers are examining ways to increase unpaid care. They are unlikely to be successful, simply because families are already doing so much.

Myth 3: If Paid Home Care Is Provided, Families Will Stop Providing Unpaid Care

The fear that a government program of paid home care will reduce unpaid family care has paralyzed efforts to reform the long-term care delivery system. Policymakers do not want to pay for what is already provided at no cost to taxpayers.

Yet most studies suggest that when the disabled elderly receive paid home care, such as adult day care, skilled nursing services, personal care, and homemaker services, the unpaid care given by family members does not change significantly. According to William Weissert of the University of Michigan, of 53 findings in studies of the effect of paid home care on informal care, 41 were not statistically significant, 7 suggested a significant increase in unpaid support, only 4 suggested a significant decrease, and 1 was indeterminate.

A few of these studies are especially notable. An evaluation of a federally funded project, the Channeling Demonstration, found that providing a rich package of services caused only a small reduction in the percentage of disabled elderly receiving any informal care. It caused no significant change in visits per week from informal caregivers or in hours per day of care by the primary unpaid caregiver. A few types of help, principally homemaker services, had small but significant reductions, more by nonfamily than family caregivers. Another study, of California's Multipurpose Senior Services Pro-

When aging parents require care, it is usually their children who are called upon to provide it. . . . American families devote enormous time and energy to the care of disabled relatives. The costs are emotional and physical as well as financial.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ject, found a small reduction in informal care: for people living with others, a 10 percent increase in paid care led to a 1.2 percent decrease in informal care. The effect was smaller for an elderly person living with a child or with a sibling nearby. Recent studies of the Minnesota Pre-Admission Screening–Alternative Care Grants Program and the Chicago Five Hospital Program found that informal caregivers did not reduce support following the introduction of paid home care services. Finally, an analysis of the National Long-Term Care Survey by Raymond Hanley and Joshua Wiener of Brookings found no significant substitution effects between paid and unpaid care.

To be sure, these findings measure mostly local, short-run experience rather than long-run responses to a national public or private insurance entitlement. Even so, they sharply contradict the expectation that informal care will collapse if paid home care is available. The implications are twofold. First, policymakers can probably expand paid home care without triggering an explosion of costs due to cutbacks of unpaid care. (Costs may still be high, but for other reasons.) Second, policymakers should not create a paid home care program with the expectation that it will dramatically reduce the burden on caregivers. Families and friends will continue to provide almost as much care as they would have without paid services. What paid home care can do is give caregivers a needed respite and allow them to arrange their hours and tasks more efficiently. Families will welcome the relief, but their burdens will remain great.

Myth 4: Very Few People Ever Use Nursing Homes, but Those Who Do Spend a Long Time There

Admission to a nursing home is, in fact, quite common. The lifetime risk at age 65 of spending some time in a nursing home is between 35 percent and 49 percent. But the stay may not be long-term: the lifetime risk at age 65 of spending more than one year in a nursing home is only about 22 percent.

Although many people justifiably fear the expense of a very long stay in a nursing home, relatively short stays are quite common. Estimates are that between 46 percent and 64 percent of nursing home stays are less than a year, and that between 26 percent and 45 percent are less than three months. The paradox is that, while long-stay patients are relatively few in number, they account for a huge proportion of nursing home patient-days. For example, according to Wiener and his former Brookings colleague Denise Spence, nursing home patients who stay longer than three years account for only about 20 percent of admissions but 70 percent of total patient-days.

Nonetheless, a nursing home stay, however brief, can be financially burdensome. A short stay in a nursing home will generate out-of-pocket costs that would be considered catastrophic if they were hospital or physician costs. A 75-day stay in a nursing home, for example, will cost more than the average hospital bill of $6,700 for treatment of pneumonia. For the 50 percent of short-stay patients who recover and return home, a relatively short nursing home stay can mean a lower income and fewer assets to pay for other emergencies.

A short stay in a nursing home will generate out-of-pocket costs that would be considered catastrophic if they were hospital or physician costs. A 75-day stay in a nursing home, for example, will cost more than the average hospital bill of $6,700 for treatment of pneumonia.

An accurate picture of the risk of needing long-term care is crucial in assessing trade-offs in the design of insurance policies for long-term care. Proposals, like those advanced by the Pepper Commission, that cover only short nursing home stays will completely cover many admissions but only a small percentage of total nursing home patient-days. Thus, public costs will be relatively small. Conversely, social insurance proposals, such as Senator George Mitchell's, that cover only very long stays will cover few patients but a large percentage of nursing home patient-days. Thus, public costs will be relatively large.

Myth 5: Home Care Can Reduce Long-Term Care Expenditure by Substituting for Expensive Nursing Home Care

Supporters of publicly funded home care often argue that these services will substitute for expensive nursing home care and thus actually reduce public long-term

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

care expenditures. But Peter Kemper, of the Agency for Health Care Policy and Research, and others have shown that in demonstration projects that offered expanded home care, total costs rose rather than declined, and nursing home use fell only slightly. For example, in the Channeling Demonstration, providing a wide range of home care services pushed up health and long-term care costs about 18 percent.

Older people's aversion to nursing homes explains this increase. Given a choice between nursing home care and nothing, many elderly people will choose nothing. But when the choice is expanded to include home care, many will choose home care. Thus, the costs associated with large increases in home care more than offset small reductions in nursing home use.

Expected cost saving is, therefore, not a valid reason to expand home care. Various strategies, however, may be able to limit a home care program's incremental cost. Among them are targeting services to the most severely disabled, making reduction of hospital admissions a priority, exploiting technological "fixes" (such as automatic alarm systems), and aggressively monitoring use levels.

Still, there are reasons other than cost saving to support a paid home care program. A home care program would improve the quality of life by addressing an unmet need of the elderly and would provide the type of care that they overwhelmingly want.

Myth 6: Most Nursing Home Patients Pay Privately at Admission, but Are Welfare Recipients at Discharge

Probably the most widespread long-term care myth is that most people enter a nursing home as independent, private-pay patients, then, impoverished by the costs, turn to Medicaid, the federal-state health program for the poor, to pay for their care. Depleting one's income and assets down to Medicaid financial eligibility levels is known as "spending down." Given that the cost of a year in a nursing home often exceeds $30,000, it is hard to see how it could be otherwise. Nonetheless, recent studies consistently show that only a modest number of nursing home patients spend down to Medicaid. Conversely, many more patients are eligible for Medicaid at admission than previously thought.

While one simulation study of elderly Massachusetts residents suggests that 46 percent of those aged 75 and over living alone in the community would become eligible for Medicaid after only 13 weeks in a nursing home, no study of actual spend-down behavior has found an equivalent drain on resources. Many nursing home patients have relatively few resources to begin with. For example, a study using Michigan Medicaid claims data found that only a quarter of 1984 nursing home patients originally entered as private-pay patients. A Connecticut study, which linked multiple nurs-

Illustration by Robert Soulé

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ing home stays, found that 21 percent of private-pay nursing home patients spent down at some time during their stay and that 38 percent of Medicaid nursing home patients were private-pay at admission. Because they tend to have long lengths of stay, spend-down patients accounted for a somewhat higher percentage of Medicaid patient-days.

In a third study, using the National Nursing Home Survey, Spence and Wiener found that only about 10 percent of private-pay nursing home patients spend down to Medicaid during a single stay. Even with adjustments for multiple stays, Spence and Wiener estimate that the proportion of private-pay patients who spend down to Medicaid eligibility is in the range of 15–25 percent. By contrast, fully 35 percent of patients were eligible for Medicaid at admission. A substantial portion of the latter group probably would have had too much income to qualify for Medicaid had they continued to live in the community. However, the high cost of nursing home care made them immediately eligible for Medicaid upon entry to the nursing home.

There are several other explanations for the modest spend-down rate. First, as noted earlier, many nursing home stays are relatively short. Thus, at an average cost of $80 a day, the total cost of a three-month stay is $7,200, an amount that is sizable but manageable for many elderly people. By contrast, two-thirds of the patients who stay more than three years depend in part on Medicaid to help pay for their care. Even among this group, however, just 20 percent spend down; most are eligible for Medicaid at admission. Second, private-pay patients may avoid relying on welfare by selling their assets, including their houses, and by accepting money from relatives for their care. Although they may deplete their assets, they may never end up on Medicaid.

These research findings highlight the trade-offs between goals against which proposals for long-term care must be evaluated. One goal is to prevent the elderly from having to spend all their life savings on nursing home or extensive home care. Even if patients do not end up on Medicaid, nursing home care still imposes a substantial financial burden that can financially cripple them and their relatives. This goal is most important to the middle and upper-middle classes, who have significant assets to protect.

A second goal is to prevent older people from having to depend on welfare in the form of Medicaid. Public charity always carries some stigma, and efforts to reduce taxpayer costs are likely to perpetuate a two-class system with inferior status for Medicaid patients. Since most Medicaid patients in nursing homes are eligible at admission, focusing on the spend-down group ignores the large majority of Medicaid patients, who are presumably in the middle class or below, with few assets. Keeping this group off welfare deserves greater public policy attention than it has received to date.

Myth 7: Private Long-Term Care Insurance Can Solve the Problem of Long-Term Care Financing

Over the past few years the market for private long-term care insurance has grown rapidly, leading some policymakers to promote private insurance as the best way to finance protection against the catastrophic costs of long-term care at a time of government austerity. The reality is that only about 3 percent of the elderly currently have long-term care insurance. Even under optimistic assumptions about the future growth of the market, private insurance cannot do the whole job.

Studies done at Brookings, the Employee Benefit Research Institute, Families USA, and the Urban Institute all conclude that only a minority of the elderly can afford private long-term care insurance. Other studies have found that a higher percentage of the elderly can afford private insurance, but they have done so only by assuming that the policies were for limited coverage, by assuming that the elderly would use their assets as well as income to pay the premiums, or by excluding a large

By the year 2000 virtually all the parents of the baby boom generation will be elderly; thus baby boomers will have to face long-term care as a real-life, intensely personal problem, no longer just something to read about in Newsweek.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

percentage of the elderly from the pool of people who might be interested in purchasing insurance.

Although there is room for substantial growth in private insurance, projections using the Brookings-ICF Long-Term Care Financing Model suggest that only limited segments of the population will be covered by the private sector. By 2018 insurance sold to those 65 and older may be affordable to 25–54 percent of the elderly, may finance 7–17 percent of total nursing home expenditures, and may reduce Medicaid expenditures and the number of Medicaid nursing home patients by 1–16 percent.

Why will private insurance have a modest role in financing nursing home and home care? First, as already noted, private insurance is so expensive that most older people cannot afford it. The Health Insurance Association of America reports that the average annual premium for the 15 best-selling policies with inflation protection is $1,395 if purchased at age 65, rising to $4,199 if purchased at age 79.

Second, although coverage has been improved substantially over the past few years, financial protection is still limited. For example, benefits are rarely fully indexed for inflation, home care is highly restricted, and policies usually do not cover very long nursing home stays or home care episodes.

Third, insurers are worried because the long interval between initial purchase and ultimate use of nursing home and home care involves great uncertainty and financial risk. A policy bought by a woman at age 65 may not be used until she is 85, a full 20 years later. During those 20 years, unforeseen changes in disability or mortality rates, nursing home and home care utilization patterns, inflation in service costs, or the rate of return on financial reserves can dramatically transform a profitable policy into an unprofitable one. Such uncertainty will likely lead insurers to limit the number of policies they sell.

While private long-term care insurance can and should play a much larger role than it does now, it is not a panacea. Private insurance will not prevent public expenditure for long-term care from increasing substantially over the next 30 years, nor will it provide financial protection for the great majority of elderly. Expansions of public programs or very deep subsidies for the purchase of private insurance are needed to protect the elderly against the catastrophic costs of long-term care.

Myth 8: The United States Is the Only Developed Country besides South Africa That Fails to Provide Long-Term Care on a Social Insurance Basis

In an effort to shame Americans into action, advocates of reform sometimes charge that the long-term care financing system in the United States lags far behind those in the rest of the world. While it is true that South Africa and the United States are the only developed countries without national health insurance or a national health service, these programs principally cover acute care hospital and physician services rather than long-term care. There is, in fact, a great deal of diversity in the way countries provide long-term care.

In Germany and Switzerland, long-term care is delivered through a means-tested welfare program. The level of impoverishment required for eligibility, however, is usually less severe than it is in the United States. In France and Belgium, the social insurance program covers only the medical component of long-term care. The Netherlands and some provinces of Canada provide relatively comprehensive long-term care programs on a nonwelfare basis, although they require a fairly substantial level of cost sharing. Both countries, however, provide their universal entitlement in the context of a fixed appropriation rather than an open-ended financing program like Medicaid and Medicare. Japan has virtually no nursing homes or paid home care. Instead, nursing home patients tend to back up in acute care hospitals. (One financing characteristic that all these countries do share is the small role played by private long-term care insurance.)

While the U.S. system is by no means exemplary, it is not so different from those of other countries as to be beyond the pale. As we look for ways to reform the financing of long-term care in the United States, the experience of Canada offers some support to those who argue that long-term care can be provided on a universal, social insurance basis without expenditures skyrocketing.

Conclusion

As policymakers grope for solutions, it is essential that they have a realistic picture of the problems of long-term care. To a large extent, the conventional view of long-term care is at odds with the research literature. While some of the prevailing myths lend support to desirable initiatives, policy prescriptions based on inaccurate assumptions are likely to be ineffective and inefficient. Myths deflect attention from the real problems of providing and paying for care of the disabled.

Accurately defining the problems and realistically evaluating options is all the more critical because the issue of long-term care is likely to become increasingly prominent over the next 10 years. For one thing, the population aged 75 and older — the oldest old — will grow 25 percent by the year 2000. Even more important, virtually all the parents of the baby boom generation will be elderly; thus baby boomers will have to face long-term care as a real-life, intensely personal problem, no longer just something to read about in *Newsweek*. The combination of the elderly and their adult children will make long-term care a political issue that neither the president nor Congress can ignore. □

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

What Has Happened to the U.S. Senior Civil Service?

Joel D. Aberbach and Bert A. Rockman

According to the National Commission on the Public Service, America's civil service is in the midst of a "quiet crisis." A report issued last year by the commission, known as the Volcker Commission after its chairman, former Federal Reserve Board president Paul Volcker, pointed to tangible losses in the status of the civil service, such as greater disparities between private and public sector compensation. The report also argued that there were less tangible but crucial losses of public prestige and influence. The obvious consequence is to diminish the prospects that the public service will be able to retain and attract people of top quality. A serious dilution of the quality of the civil service, in turn, would threaten the effectiveness of America's government.

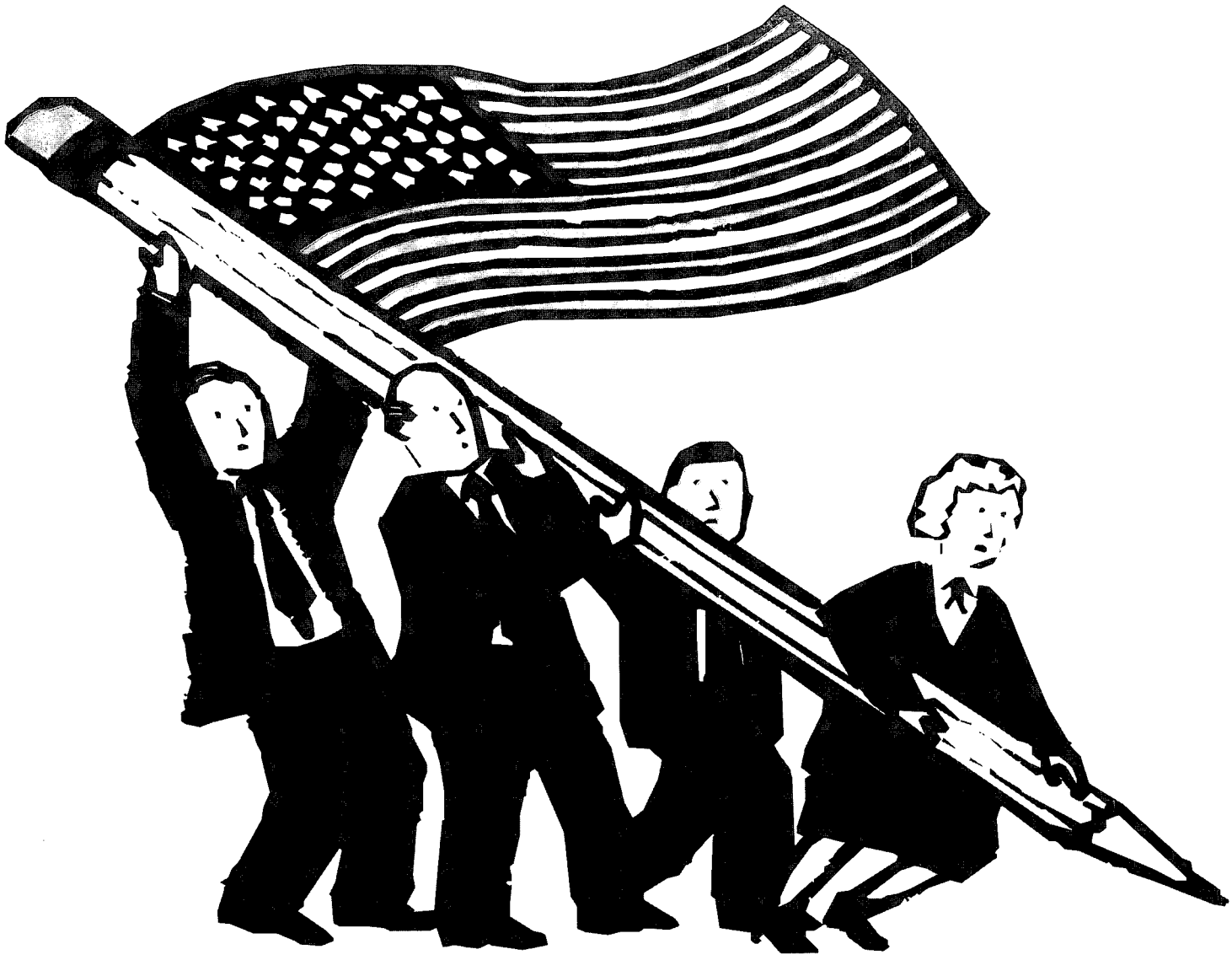
The relatively low prestige of senior U.S. civil servants contrasts sharply with the status accorded most senior West European civil servants, who also have a more direct formal role than do their U.S. counterparts in giving policy advice. Alone among Western democracies, the American system places a heavy reliance on noncareer, politically appointed, officials to stand between cabinet members and senior civil servants. In the American system, these noncareer officials play policy roles that elsewhere are assigned to civil servants. Senior American civil servants are viewed in orthodox doctrine more strictly as implementers of policy rather than as legitimate if subtle shapers of it. Their restricted role stems in part from a strongly held, if unrealistic, doctrine that only elected officials or their direct appointees should make policy. It is also encouraged, however, by the unique position of the U.S. civil service in serving two masters simultaneously — the presidential administration and Congress, which has a major role in overseeing the administrative functions of government. Given the existence of formal division between the executive and legislative branches and the frequent existence of political division between them, neither the executive authorities nor the congressional ones want civil servants to be too close to the other.

Joel D. Aberbach, formerly a senior fellow of the Brookings Governmental Studies program, is professor of political science and director of the Center for American Politics and Public Policy at the University of California, Los Angeles. Bert A. Rockman is senior fellow in the Brookings Governmental Studies program and professor of political science and research professor at the University of Pittsburgh's Center for International Studies. This article is drawn from Aberbach and Rockman's ongoing study of "The Changing American Federal Executive" and is part of their research for a forthcoming book.

From Nixon to Reagan

The senior career civil service is reputed to have fallen from grace most precipitously in the period between the middle years of the Nixon presidency and the latter stages of the Reagan presidency. The period was an eventful one for the civil service and for American pol-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED



itics and government more generally. After a few years in the White House, President Nixon concluded that the federal bureaucracy was staffed overwhelmingly with his political opponents and that it was at best unsympathetic to his policy objectives. In Nixon's view, the bureaucracy was better connected to the Democratic party majorities in Congress and to program clientele groups than to the White House. After Watergate, the mood of cynicism and distrust toward Washington that prevailed in the country was played to by candidate, and then President, Jimmy Carter, who justified his focus on civil service reform as a response to an unaccountable and unresponsive federal bureaucracy. The advent of the Reagan presidency brought together both Carter's perspective as an outsider distrustful of Washington institutions and Nixon's suspicions that the bureaucracy was prepared to sabotage presidential initiatives with which it disagreed. The Reagan administration came into office fully prepared to bring the bureaucracy under firm political control and armed with the tools to do it, thanks to the flexibility built into the personnel system through the Senior Executive Service (SES) provisions of the 1978 Civil Service Reform Act pushed through by the Carter administration. During the Reagan administration divided government — with the Republicans in the White House and the Democrats seemingly in perennial control of the House of Representatives — became an expected feature of the political landscape. The Reagan years were also marked by a contraction of domestic government programs, whose growth had been curbed during the Carter administration. Budget austerity thus became even more pronounced. These developments had important implications for the civil service.

Charting the Changes

Midway into the first term of the Nixon presidency, in 1970, we interviewed 126 senior federal executives, drawn randomly from 16 domestic agencies in the Washington metropolitan area. The interviews were part of a seven-nation study of the connection between government bureaucracy and its political setting. Our sample was almost evenly divided, with 61 upper-level political appointees (below the rank of undersecretary) and 65 senior (then supergrade) career civil servants.

Illustration by Robert Wiser

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Because of the vast changes in the federal executive after 1970 and because of a growing perception that the civil service was in a serious decline, we did a follow-up study in 1986–87, during the midpoint of the second Reagan administration. We interviewed 199 federal executives across 21 domestic agencies. Sixty-two were political appointees, while the remainder were senior career civil servants drawn mainly from the Senior Executive Service (SES). Because the Civil Service Reform Act of 1978 allows greater flexibility in moving SES executives around, a result of the provision that SES status now adheres in the person rather than in the position, we interviewed two sets of senior civil servants. The first group, of whom there are 68, occupied the top rung in their administrative subunits and by this criterion represented the closest parallel to the senior civil servants interviewed in 1970. The second group, which numbers 69, is also composed of SES career officials (8 actually fall just outside of SES), but does not include top career officials in their administrative hierarchy.

Changing Patterns of Influence

In both surveys we asked the senior career civil servants and the politically appointed executives to evaluate the influence wielded by various institutional actors. We had them rate, on a scale ranging from "a great deal" at one end to "none or little" at the other, the influence of five actors: the senior civil service, department secretaries (agency heads in noncabinet agencies), members of Congress, party leaders (especially in Congress), and interest groups.

As table 1 shows, the most striking observation is that civil servants have, in their own opinions, suffered a sizable loss of influence. Notably, in 1970 senior civil servants believed their own level of influence over policy was similar to that exercised by authorities to whom they are accountable, namely, the department secretaries and the members of Congress. By 1986–87, however, their group self-perceptions had plummeted. The percentage of civil servants attributing a great deal of influence to themselves as a group dropped by nearly a factor of three. By 1986–87, civil servants perceived their own influence as lower than that of the other government authorities listed in the table.

Political appointees share a similar, though less radical, perception of the decline of civil servants' influence. More than a third of the appointees in 1970 thought civil servants had a great deal of influence over policy, but only 22 percent thought so in 1986–87. These data fit well with findings from surveys conducted by the Merit Systems Protection Board, the General Accounting Office, and the Volcker Commission that indicate relatively low satisfaction at the top of the career service.

By contrast, the perception of both civil servants and political appointees is that department (agency) heads' influence remained quite stable over the period, while party leaders in Congress were the big gainers in perceived influence. That development may come as a surprise to those familiar with the much-heralded decline of the American political parties, but in fact the years from the early 1970s to the mid- to late 1980s actually saw an increase in the resources of the party leaderships at the national level, especially within the House of Representatives. Moreover, during the Reagan years the parties were more sharply aligned against one another than is usual, and the tensions between

Table 1.
Influence over Policy Attributed by Political Appointees and Senior Civil Servants, 1970 and 1986–87
Percent reporting "a great deal of influence"

	1970		1986–87		
	Influence reported by:		Influence reported by:		
Influence attributed to:	Political appointees	Civil servants	Political appointees	Civil servants Group I	Civil servants Group II
Senior civil service	35	46	22	16	13
Department secretaries (Agency heads)	64	43	66	39	61
Members of Congress	63	51	30	37	47
Congressional party leaders	22	19	22	45	43
Interest groups (general)	26	33	20	14	14

Note: Group I included 68 officials who occupied the top rung in their administrative subunits. Group II included 69 officials below the top rung.

Source: Authors' surveys.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Table 2.
Reported Contacts of Political Appointees and Senior Civil Servants, 1970 and 1986–87
Percent reporting "weekly or more contact"

	1970		1986–87		
	Contacts reported by:		Contacts reported by:		
Contacts with:	Political appointees	Civil servants	Political appointees	Civil servants Group I	Civil servants Group II
White House	25	5	40	22	3
Own department head	61	31	50	22	5
Other department heads	19	18	6	4	3
Officials at your level in other departments	57	42	40	31	37
Members of Congress	42	43	48	20	24
Political party leaders	8	0	6	0	0
Interest group representatives	69	69	67	45	40
Public	55	55	67	40	45

Note: Group I included 68 officials who occupied the top rung in their administrative subunits. Group II included 69 officials below the top rung.

Source: Authors' surveys.

Democrats in the Congress and the Republican-controlled executive branch were especially intense.

The big losers besides the civil servants were, ironically in view of the great ballyhoo about their profusion in Washington, the interest groups. Their perceived loss of influence may actually stem from the growth in their number and visibility. The more there are, the more they may serve to counter one another. The increased democratization and openness of political structures and government, in fact, seem to have encouraged the growth of interest group political activity by lowering barriers to the political marketplace, thus weakening the monopolistic bonds that some interest groups had enjoyed with government agencies.

As perceived by top bureaucrats in the federal executive, then, the political environment in Washington has in it elements of both stability and change over the 17-year period. But the biggest change is the perceived loss of influence of the senior civil servants. We hasten to add that this loss is most accurately viewed in terms of the standing of senior civil servants relative to other sets of officials. For example, on average, senior civil servants even now regard themselves as having "a good bit" to "some" influence over policy. Neither political appointees nor civil servants, however, any longer judge the influence of civil servants over policy as on a par with that of agency heads or members of Congress.

Changing Contact Patterns

Another way of considering changes in the rôle and standing of civil servants is to examine their contact with officials and others in the political arena. Bureaucrats in all countries tend to have (because they must have) frequent contacts with interest group representatives. But American senior civil servants in our 1970 study, in comparison with civil servants elsewhere, uniquely had more contact with the legislative branch than they had with the very top officials of their own organizations.

This pattern is the product of two significant factors: the U.S. separation of powers system and the obstacles that keep civil servants at a distance from the very top of their own agencies. The separation of powers system gives Congress responsibility for ensuring administrative compliance, thus requiring a fairly active involvement between civil servants and the legislative branch. At the same time, in contrast to European administrative systems, the multiple layers of political appointees in the U.S. system create barriers for civil service communication to the top levels of departments. To these structural staples of the American system should be added the condition of divided government that has come to be expected at the federal level and the resultant increased competition over policy choices between the president and Congress. Clearly, a situation in which Congress has the authority to effect its prefer-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ences and in which clientele groups have stakes in and influence over existing programs leads civil servants to be involved with both Congress and the interest groups. This situation, in turn, also potentially gives civil servants leverage against executive decisions.

At least since the Nixon presidency, administrations have worried about the capability of senior civil servants to appeal executive policy decisions and administrative changes to Congress and to outside interest groups. An obvious reason for this concern is that, except for the Carter years, the White House and at least one chamber of the legislature have been in opposing political hands.

As noted, it was the clear intent of the post-1970 Nixon administration and the well-publicized intent of the Reagan administration to curtail the access of bureaucrats to other sources of leverage and influence in the American system. The degree of each administration's success in sealing off civil servants can be gauged by looking at the pattern of contacts reported across the span of our two studies.

In each study we showed our sample of federal executives (appointees and civil servants) a list of officials and institutions with whom they were likely to have contact, and asked them how often they were in contact with each in connection with their work. The contacts, we emphasized, had to be in person or over the telephone; they could not be merely written correspondence. The frequency of contact ranged from "weekly or more" to "never."

Table 2 shows that the changes for political appointees between 1970 and 1986–87 are not nearly as great as they are for the senior civil servants. The first and most dramatic of two notable pattern shifts in civil servants' contacts is a sharp drop-off between 1970 and 1986–87 in the contacts that they have outside the executive chain of authority. The second pattern, which is equally true of the political appointees, is vastly increased contact with the White House.

This sketch is consistent with efforts to centralize control over the departments, efforts that were hallmarks of both the later Nixon and the Reagan administration strategies to manage the executive. It was a particular concern of the Reagan administration to cut access to the outside for civil servants, especially their contacts with interest groups and members of Congress, while keeping its own appointees loyal to the White House. The substantial decreases in civil servants' contacts with actors outside the executive and the rough stability of political appointees' contacts, particularly with Congress and interest groups (table 2), suggests the success of the Reagan administration in curtailing the "end-running" to the outside that both it and the Nixon presidency feared. Thus, civil servants in 1986–87 report less contact with Congress (despite the huge proliferation of congressional staff to facilitate such contacts), less with the public, and less with interest groups. All in all, the table shows that efforts by the Reagan White House to decrease the policy role of civil servants were remarkably successful.

In the early 1970s there was still a tendency to look for governmental resolutions to public problems. More problems were deemed worthy of public attention, and a problem worthy of public attention became a problem worthy of a government program. . . . By the mid-1980s the fundamental question facing government shifted from "how can it be done" to "how can it be cut."

Why the Loss of Influence?

Broadly speaking, we see two explanations for civil servants' loss of ground since the middle of the Nixon years. One involves the changed American policy agenda and the financial constraints that are influencing the change. The other stems from the solidifying of political trends that were just embryonic at the time of our first study in 1970.

Since the middle of the Nixon years, the focus of the federal government has changed markedly. By that time the budgetary consequences of large outlays for public sector expansion during the 1960s and for the Vietnam war had become evident and had begun to shape presidential policymaking. Even the lone Democratic president, Jimmy Carter, became estranged from his party in part because he held federal domestic spending under much stronger control than his fellow Democrats wished. Reagan, of course, after making sharp incursions directly on the expenditure side, made even sharper ones on the revenue side, thus constraining expenditures far into the future. These budgetary pressures have all been exacerbated by the deadline demands of the Gramm-Rudman Act.

The political climate of the mid-1980s contrasts sharply with that of the time of our first study. In the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

early 1970s there was still a tendency to look for governmental resolutions to public problems. More problems were deemed worthy of public attention, and a problem worthy of public attention became a problem worthy of a government program. For "doers," these were attractive times filled with opportunities. Even the Nixon administration, during its first two years, made efforts, albeit without great enthusiasm, to establish a guaranteed minimum income and stringent standards for environmental protection, along with a new agency to administer them.

By 1986–87 the fundamental question facing government shifted from "how can it be done" to "how can it be cut." At the same time, the intellectual currents of policy analysis during this period also shifted, in regard to program initiatives and expenditures, from doing to doubting. In addition to the fiscal stringencies affecting government, the stagnation of the U.S. economy from 1979 until 1983 fueled a deregulation movement that weakened the power of various regulatory agencies to issue and enforce regulations. For civil servants looking for discretionary opportunities and program possibilities, the last two decades have not been flush times.

The political trends seen in outline during the early 1970s are now also more clearly established. Foremost among these is divided government. The effects of divided government have been reinforced by an environment of sharpened political divisions between the presidential administration and congressional majorities (certainly, at least, House majorities). And this politically divisive environment has contributed, on the one hand, to enhanced centralization and White House control of the executive and, on the other, to increased congressional attentiveness to executive behavior.

Although Dwight Eisenhower spent six of his eight years as president with Democratic majorities in Congress, the 1950s were relatively tepid times for partisanship. In some areas, Eisenhower seemed better able to deal with the Johnson-Rayburn Democratic leadership than with his own. Moreover, divided government seemed aberrant at the time. Now, it is the norm. And partisanship today is by no means tepid. Thus, presidents seek to control as much as possible within the executive branch and to secure it from opposition interference by Congress.

Presidents Nixon and Reagan pushed these efforts to new heights, believing that unless they did what they could to centralize the executive and put it firmly under presidential control, career bureaucrats would sabotage their policy efforts. Nixon came late but fervently to this conclusion (not long, it appears, after we concluded our 1970 interviews). Reagan, or at least key members of his team, prepared for this possibility from the very outset of his administration. They were helped enormously in this effort by Republican control of the Senate for six years, during which time the White House appointed many highly partisan loyalists to discretionary positions within the executive branch. Because of this successful appointments strategy, the Reagan administration was able to make substantial headway in coping with divided government and controlling the bureaucracy. The administration took executive initiatives without regard to Congress, appointed loyalists to turn programs around, and paid less attention to older (usually Democratic) interest clienteles and more to newer (usually Republican) ones. Above all, the Reagan administration's plan was to cut off civil servants' access to levers outside the executive branch, particularly Congress and interest groups. Their efforts were far more successful than Nixon's, which crashed amid the Watergate scandals.

Nevertheless, enhanced congressional capabilities and intensified partisanship of the Democratic majority gave opposition forces in Congress tools to counter the Reagan administration strategies, especially in the two last — and most vulnerable — years of the Reagan presidency. When the Reagan administration sought to redirect programs through administrative action in ways that congressional majorities saw as inconsistent with legislative intent, Congress amended the laws to eliminate executive discretion. In the executive branch, this outcome is known as micromanagement. Being micromanaged puts department executives in an unen-

One thing is certain: when deep divisions persist in our polity and are expressed through divided government, with one party in control of the White House and the other dominant in Congress, skepticism about the neutrality of the civil service will abound. The political potential of both judges and civil servants, supposedly neutral appliers of the law, will be emphasized.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

viable situation, regardless of whether they are political appointees or civil servants, and whether the directives come from the Office of Management and Budget or from Congress. Micromanagement is the by-product of divided government operating under significant budgetary constraints and deep partisan division about policy. Some but not all of these conditions have moderated under the Bush presidency.

To be sure, the grievances of senior career officials are probably influenced by such mundane matters as salaries and gaps between private and public compensation. And just as in private industry, budget cuts in government affect the capacity to get the job done and thus to keep morale high. But, beyond these factors, institutionalized political and policy divisions in Washington have raised the level of distrust felt by presidential administrations toward the career executive. Certainly, the Reagan administration acted on its distrust of the civil service with a clear managerial strategy, and our data imply that its strategy of sealing off career officials from potential sources of external appeal was largely successful.

The Role of the Career Executive

Democratic doctrines stress that only elected officials or those whom they select to act on their behalf are to make policy. But policy is not a finite process; it is always subject to adjustments. This means that regardless of doctrine, civil servants do influence policy. Yet, there is a difference in how they do so in parliamentary systems and in the U.S. system. In parliamentary systems, civil servants' access to politicians is mainly inside the executive, but they are well positioned to channel their views to the minister. Close working relationships between the political executives and career officials are necessary but also more likely because career officials cannot readily appeal decisions; there are no sources of leverage independent of the minister. At the same time, despite the greater access civil servants have to top political officials, there is no doubt that ministers unhappy with the civil servants they inherit quickly find ways of working around them. Indeed, in some countries, like West Germany, changes of government bring wholesale temporary retirements at the top career levels, a practice similar to the resignations of noncareer officials that follow changes of administration in the United States. Successors, however, are drawn from among the career civil service.

In the American case, the separation of powers system provides the bureaucracy with two masters. The situation is exacerbated under conditions of political division, currently the norm. It is further exacerbated when the political division reflects very sharp policy differences, and when these sharp policy differences move presidential administrations to try to govern through liberal interpretations of executive prerogative. When these conditions occur, the dual accountability of civil servants to their executive superiors and to the congressional authors of the laws they administer tempts the presidential team to clamp down on the bureaucracy by placing restrictions on its access to policymakers and policy interests outside the executive branch. The Nixon administration tried to do it; the Reagan administration largely pulled it off.

What are the implications for career civil servants of the differences between European systems and the American one? First, we should recognize that in any country politicians elected to bring about change will harbor suspicions about the permanent government. Politicians inevitably feel that bureaucrats are wedded to the past, and politicians, at least at first, are unlikely to be receptive to learning lessons from the past. Over time in parliamentary systems, however, the political leaders learn to work with civil servants because there is no alternative system for bringing outside political appointees into the ministries. Second, by American standards, parliamentary systems insulate both political executives and civil servants from the full panoply of political forces. No matter how divided political opinion is outside, the civil servants must work inside, and no matter how divided the government may be, it must, by the end of the day, produce an outcome. Third, conditions of divided government and divisive issues are likely to generate grave doubts that anyone can be truly neutral. In a politically highly charged system, in which the separation of authority provides abundant opportunities for civil servants to influence policies, presidential administrations will be tempted to expend great effort to check and monitor them.

The highly political ambience of American government promotes different conceptions of the role of top civil servants. One view emphasizes the experience and skills and even the political savvy of senior civil servants and stresses that a government that fails to take advantage of its career officials will court policy failures and political mistakes. A very different view, of course, is that "experience" and "savvy" are code words for commitments to the past and to outside political interests. In this view, it is important to place the career executive under firm presidential control and to eliminate its discretionary authority. The civil servant's job should be to manage, not to counsel.

One thing is certain: when deep divisions persist in our polity and are expressed through divided government, skepticism about the neutrality of the civil service will abound. The political potential of both judges and civil servants, supposedly neutral appliers of the law, will be emphasized. As presidential administrations will often see it, only when civil servants are kept as far away as possible from policy can there be even a semblance of a neutral civil service. This view will frustrate many of the most talented career officials, and it may stultify efforts to recruit top talent into the civil service, but it is a likely consequence of how we have chosen to govern ourselves. □

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Earthquake!

Planning and Paying for the "Big One"

Robert E. Litan

Ask all those out-of-state vacationers to California if they want to live there, and the answer will often be "no." The reason? Fear of the coming big earthquake. And that fear is warranted. According to the U.S. Geological Service, there is at least a 50 percent chance that a major quake — one far more severe than the Loma Prieta quake that hit the San Francisco Bay area last fall — will rock California within the next 30 years.

What most vacationers don't know is that they may not be as secure from the risk of an earthquake as they think. Many Americans outside California face sizable earthquake risks at home. The former director of the National Earthquake Engineering Center, Robert Ketter, predicted in 1988 that a catastrophic quake will hit somewhere *east* of the Rocky Mountains before the year 2000. And the much feared "big one," wherever it strikes, would have widespread repercussions. Although the physical devastation and loss of life would be confined to the immediate location of the earthquake, the social and economic dislocations that follow could be nationwide. Indeed, a disastrous earthquake could throw the nation's entire insurance system into disarray as profound as that in which its savings and loan system now languishes.

Congress is not unaware of the problem. The Loma Prieta quake got its attention. Earlier this year, two comprehensive bills were introduced in the House of Representatives to provide earthquake insurance and to step up efforts by local communities to reduce the damage from future quakes. Neither bill is perfect; the dangers and drawbacks of each are apparent. But on this, the first anniversary of Loma Prieta, policymakers appear to be facing the need to plan for the virtual inevitability of a far worse quake — and not necessarily in California next time.

Earthquake Risks

Table 1 lists the major U.S. earthquakes over the past 200 years, together with indications of their severity. Not surprisingly, nearly half (5 of the 11) have hit California. However, two of the most disastrous quakes struck well east of California — the 1886 quake in Charleston, South Carolina, and the devastating 1811–12 New Madrid quakes in Missouri, perhaps the most severe in the nation's history. In addition, the eastern half of the United States has experienced more than a dozen minor quakes since roughly 1800.

What lies ahead? Figure 1 indicates the location of earthquake risks within the United States, based on analyses by the Federal Emergency Management Agency (FEMA). Significantly, California is not the only state where earthquakes are a "major" risk. Portions of Utah, Idaho, and Montana, as well as Washington state, the Memphis, Tennessee, area (susceptible to another quake along the New Madrid fault), and the region surrounding Charleston are all at risk for a major quake. Indeed, the figure shows that only portions of three states (Florida, Mississippi, and Texas) are totally immune to earthquake risks.

Effects of the "Big One"

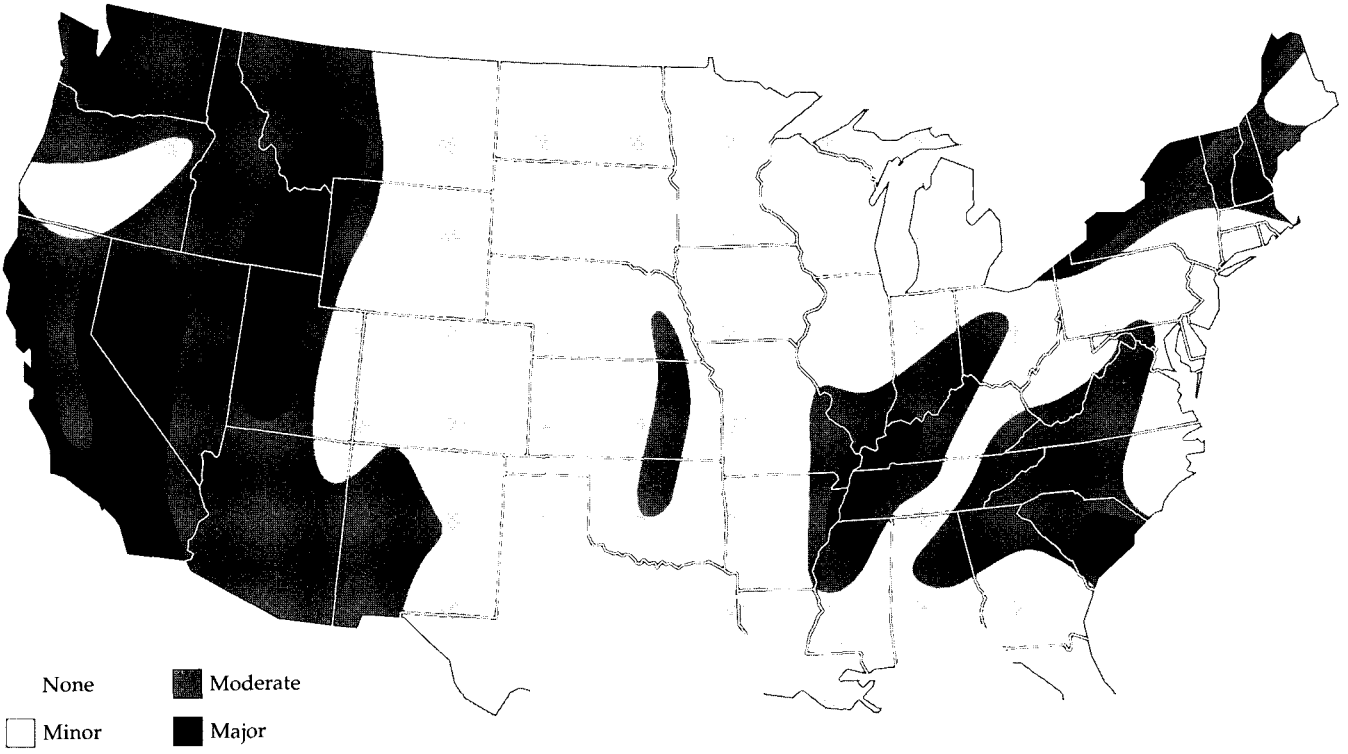
How much damage an earthquake causes depends on a variety of factors. The numbers of deaths and serious injuries are determined in large measure by the time of day the quake strikes, in particular whether people are at work, in traffic during rush hour, or at home. Property damage depends primarily on advance mitigation: whether and to what extent buildings, roads, bridges, and pipelines have been constructed to minimize quake damage and whether zoning ordinances have discouraged construction in geographic areas where extensive damage would be likely.

Strong mitigation measures also help reduce fatalities and injuries. The Loma Prieta quake, which struck in the middle of rush hour on a workday,

Robert E. Litan is a senior fellow in the Brookings Economic Studies program and director of Brookings' Center for Economic Progress and Employment. This article is adapted from his June 1990 address to the Insurance Information Institute.

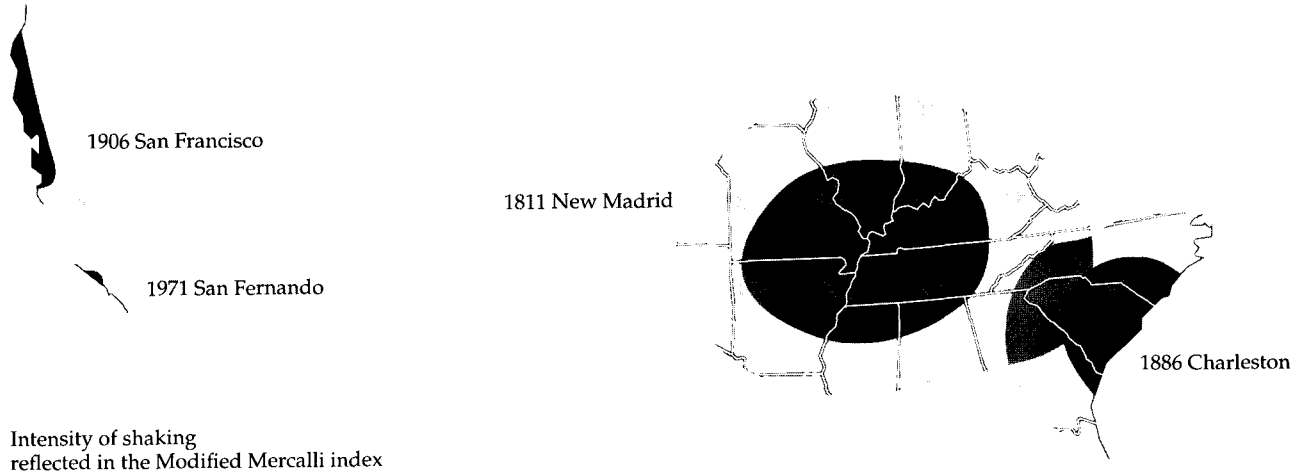
LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Figure 1. Earthquake Risks



Source: Federal Emergency Management Agency, *Earthquakes*, FEMA-159, October 1988

Figure 2. Ground-Shaking Radii in Previous Earthquakes



Source: Earthquake Engineering Institute, *Reducing Earthquake Hazards: Lessons Learned from Earthquakes*, November 1986 (Publication No. 86-02)

Maps by Robert Wiser

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Table 1. Selected Major U. S. Earthquakes

Date	Location	Magnitude *(Richter scale)*	Deaths	Damage *(millions of 1979 dollars)*
1811–12	New Madrid, Missouri	7.1– 8.6	Unknown	Unknown
August 31, 1886	Charleston, South Carolina	Unknown	60	Unknown
April 18, 1906	San Francisco, California	8.2	700	2,000
March 11, 1933	Long Beach, California	6.3	115	266
April 1, 1946	Unimak, Alaska	Unknown	173	90
April 13, 1949	Olympia, Washington	Unknown	8	80
July 25, 1952	Kern County, California	7.2	12	150
August 18, 1959	Hebgen Lake, Montana	7.1	28	26
March 27, 1964	Prince William Sound, Alaska	8.4	131	1,020
February 9, 1971	San Fernando, California	6.4	58	900
October 17, 1989	San Francisco, California	7.8	62	3,750

Sources: Mary L. Schnell and Darrell G. Herd, eds., *National Earthquake Hazards Reduction Program: Overview,* Report to the United States Congress, USGS Circular 918, 1983; Federal Emergency Management Agency, *Earthquakes,* FEMA-159, October 1988; Statement of Richard N. Wright (Director, Center for Building Technology) before the Subcommittee on Science, Technology, and Space of the Senate Committee on Commerce, Science, and Transportation, March 29, 1990; and The Earthquake Project of the National Committee on Property Insurance, *Catastrophic Earthquakes: The Need to Ensure against Disaster* (March 1989).

Table 2. Location and Damage Estimates for Potential Future Earthquakes

Location	Intensity *(Richter scale)*	Kind of damage	Deaths	Serious injuries	Property damage *(billions of 1987 dollars)*	Study *(date)*
San Francisco	8.3	Vibration	3,500–12,840	13,300–49,700	40.2	USGS (1981)
San Francisco	8.3	Fire	n.a.	n.a.	4.8–19.1	AIRAC (1987)
San Francisco	8.3	Vibration	n.a.	n.a.	8.5	Calif. (1987)
Los Angeles	7.5	Vibration	5,100–24,000	20,100–95,500	66.4	USGS (1981)
Los Angeles	7.5	Fire	n.a.	n.a.	6.3–21.6	AIRAC(1987)
Los Angeles	7.5	Vibration	n.a.	n.a.	10.0	Calif. (1987)
Memphis area	8.6	Vibration	440–3,840	1,760–15,300	36.6	FEMA (1985)
Seattle area	7.5	Vibration	1,130–3,820	620–11,400	n.a.	USGS (1975)
Salt Lake City	7.5	Vibration	390–3,635	1,560–14,500	n.a.	USGS (1976)

Source: Summary tables published in The Earthquake Project, *Catastrophic Earthquakes.* Surveys conducted by the U. S. Geological Survey, the All-Industry Research Advisory Council, the Federal Emergency Management Agency, and the California Department of Insurance. All estimates of death and injuries exclude potential dam failures.

n.a. Not available

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

killed just 62 people. The 25,000 lives lost in the 1988 Armenian quake of equivalent intensity make all too clear the value of California's tough construction codes.

The damage caused by an earthquake also depends on its severity or intensity. The most widely known indicator of severity, the Richter scale, measures the energy released when large rock masses in the upper earth suddenly shift. A change of one full point in the Richter scale represents a difference of a factor of about 30 in energy released. Thus, an earthquake of magnitude 7 is roughly 30 times as powerful — in terms of energy released — as one of magnitude 6.

Earthquakes of the same Richter magnitude, however, can cause radically different damage in different locations because of differences in geologic conditions that affect the extent of ground shaking. The rock formations and soil conditions in California, for example, transmit the waves from earthquakes over much smaller regions than those in the eastern parts of the United States.

Today, geologists use what is known as the Modified Mercalli (MM) intensity scale (named after Giuseppe Mercalli, who introduced it in 1902) to measure the intensity of ground shaking at a particular site. The MM scale has 12 gradations. Quakes of intensity I–IV are minor and are often not even noticed. By intensity V nearly everyone senses the movement, and earthquakes of intensity greater than VII are deemed to be major. Figure 2 illustrates that past earthquakes in California affected far smaller geographic regions than either the New Madrid or Charleston quakes of the 19th century. Indeed, even figure 2 understates the reach of the New Madrid quakes, which reportedly shook church bells as far away from the epicenter as Boston.

Table 2 provides estimates of the damage that could result from the possible quakes that most concern geologists. All estimates have been updated to reflect property damage in 1987 dollars and deaths and injuries based on estimates of 1987 populations.

The damage estimates for the California quakes are sobering, if familiar. According to the U.S. Geological Service in 1981, an 8.3 Richter magnitude quake that strikes along the San Andreas fault in the San Francisco area could kill nearly 13,000 from the vibration effects alone. As many as 24,000 could die in a 7.5 magnitude quake along the Newport-Inglewood fault in the Los Angeles area. As bad as these fatality estimates seem, they could be even worse if a major dam in either area were to break.

Table 2 indicates that property damage from both vibration and fire from the "big one" also would be extensive: as high as $60 billion for San Francisco and $88 billion for Los Angeles. In 1987, the California Department of Insurance published significantly lower property damage estimates for vibration alone, roughly $10 billion in each location. Still, the wide variation in estimates provides little comfort; despite

Two of the most disastrous quakes in U.S. history were the 1886 quake in Charleston, South Carolina, and the devastating 1811–12 New Madrid quakes in Missouri. The former director of the National Earthquake Engineering Center predicted in 1988 that a catastrophic quake will hit somewhere east of the Rocky Mountains before the year 2000.

having the best earthquake-resistant construction standards in the United States, California would suffer destruction in a major quake that would easily rank as the worst natural catastrophe the nation has ever experienced.

Table 2 also illustrates the devastating effects of a major quake outside California. Possible fatalities, again excluding those from destruction of dams, reach nearly 4,000 in all three of the potential locations listed. The only property damage estimate provided, for Memphis, is in line with potential property damages from a major California quake.

Earthquakes of the magnitudes shown in table 2 could also have significant effects reaching far beyond the site of the quake. Devastated job sites could force temporary local unemployment whose effects, primarily in lowered spending, could ripple outward into the national economy. In addition, earthquake damage could significantly interrupt production of key materials used elsewhere in the country, pushing prices upward. The effects could be especially severe if a major quake were to strike near Memphis along the New Madrid fault and damage many of the nation's major interstate oil and gas pipelines, on which much of the East Coast depends for fuel. It is also conceivable that a major earthquake could interrupt the nation's payments system, through which checks are cleared

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Table 3.
Average Premiums for a National Earthquake Insurance Program
(Dollars)

Location	No deductible	5 % deductible
California	104–194	49–91
Seattle	101–188	53–103
Alaska	273–507	95–176
Colorado	23–43	10–19
Memphis/ St. Louis	15–28	9–17
Charleston	15–29	8–15
Washington, D.C.	9–16	4–7

Source: The Earthquake Project, *Catastrophic Earthquakes*, p. 90.

around the country, by damaging the transportation and computer links between banks inside and outside the affected region.

Finally, the shattered lives and property left behind by a major earthquake could have devastating consequences for the nation's system of insurance. The risks here arise not because property and casualty insurers have underwritten a sizable amount of earthquake insurance; they haven't. Only 25 percent of California's residents currently carry insurance against quake damage (ground shaking and vibrations), and less than 5 percent of residents do nationwide. But as table 2 suggests, much of the property damage from a major quake would be caused by the fires from broken gas lines and spilled chemicals and other fuels. Because nearly all residents and businesses carry fire insurance, their fire-related losses would be covered even if they had no earthquake insurance. In addition, life and health insurance carriers would clearly face major claims in the event of numerous injuries and fatalities.

Based on the estimates shown in table 2, coupled with additional actuarial studies, property and casualty insurers believe that in a worst case quake, claims for property damage alone could reach $50 billion, nearly 40 percent of the industry's year-end 1989 "surplus" or capital of $134 billion. Honoring such claims would severely deplete capital for many insurers. Some insurers, of course, could be forced into insolvency. But many others would suddenly find themselves with insufficient capital to support their current level of premiums. As in the liability crisis of the mid-1980s, when many property and casualty insurers were confronted with sharply rising losses on commercial liability policies, insurers heavily affected by earthquake claims would hike their premiums substantially or reduce the coverage they offer. Purchasers of insurance throughout the nation, not just those in the region immediately affected by the quake, would feel the impact.

An alternative outcome, equally if not more likely, is even more worrisome. Faced with the prospect of sharp increases in premiums and cutbacks in coverage, state insurance regulators would face political pressure to relax current supervisory guidelines on how much capital insurers must have to support a given level of premiums. With such regulatory "forbearance" in place, insurers would have less need either to raise premiums on existing policies or to curtail coverage. The consequences are not far to seek. The savings and loan industry faced a similar situation during the 1980s, when many thrifts were rendered insolvent. In the absence of political support for closing down the insolvent thrifts and limiting the expansion opportunities of the rest, regulators engaged in forbearance that, as is now painfully well known, proved disastrous. With access to federally insured deposits, insolvent and weakly capitalized thrifts gambled for their lives at the thrift insurance fund's expense. Many, if not most, of these gambles failed, and the thrift insolvency problem grew to nightmarish proportions.

Although the insurers who would be affected by a major earthquake cannot gather federally insured funds, their policyholders are protected to some degree by various state guarantee funds (which are funded on an after-the-fact basis by participating insurers). While these funds may help prevent a massive policyholder "run" from insurers in the event of an earthquake-driven crisis, they also would act as deposit insurance to reduce incentives for weakly capitalized insurers to avoid taking imprudent risks. Because insolvency in the insurance industry is generally more difficult to detect than it is among banks, a policy of forbearance could unleash massive gambling by insurers that regulators would discover only many years later. By that time, the insolvency problem among insurers would have grown by leaps and bounds, just as it did in the thrift industry in the 1980s.

The Need for a Federal Policy Response

Although it may not be readily apparent, the federal government already has a policy toward earthquakes: wait for them to happen and, if they are severe, provide disaster assistance. A total of $1.7 billion in disaster relief eventually will be given through different federal programs and agencies to residents and businesses affected by the Loma Prieta quake.

The "let it happen" approach is reasonable as long as the economic costs of earthquakes are relatively mi-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

nor and localized, as was the case even for the Loma Prieta quake. But catastrophes on the scale depicted in table 2 require more active policy.

For one thing, the greater the potential damage, the higher the potential benefits of mitigation. Indeed, because the federal government routinely provides disaster relief for catastrophic events, it has a direct financial stake in mitigating the effects of earthquakes. Because a disastrous quake could have significant effects nationwide, the federal government has an additional interest in minimizing losses.

Second, because the federal government will provide disaster relief, taxpayers throughout the country will eventually bear a significant part of the economic cost of a future major quake. Under current policy, they will share in that cost without regard to the earthquake risks they face. The cost per taxpayer in the event of a major earthquake could be heavy (the average taxpayer chipped in $17 in the wake of the relatively minor Loma Prieta quake). It would be both fairer and more efficient to require those who face the highest risks to pay the most. Obviously those at risk stand to benefit the most from federal disaster relief. But, more important, charging them in proportion to the risks they face will encourage them to take strong mitigation measures, thus lessening the overall damage as well as the cost to taxpayers.

Third, affordable quake coverage is not available in the private insurance market. As noted, relatively few people even in such high-risk areas as California purchase earthquake insurance. Those who do are usually the highest-risk customers. Insurers thus offer quake coverage only at very high rates and generally with very high deductibles — typically 5–10 percent of the value of the property, meaning that a resident of a $200,000 house would have to absorb the first $10,000 to $20,000 of quake damage even with the policy. But the high costs and deductible amounts deter many other customers from buying the coverage, which makes it difficult for the insurers to spread the risk.

The lack of widespread insurance coverage means that many individuals and businesses face catastrophic economic losses in the event of a major quake, even with disaster relief. In a presidentially declared disaster, individuals and families may receive grants, but only up to $10,000; and even then grants are considered a "last resort" available only to those who have been turned down for a loan from the Small Business Administration.

In short, the federal government has an interest in mitigation; taxpayers, in a more equitable and efficient sharing of the costs of disaster relief; and consumers, in more affordable earthquake insurance. These objectives are also interrelated. Clearly, the stronger the mitigation measures taken by individuals and by states and localities, the less damage any major earthquake will cause — thus reducing both the taxpayer burden for disaster relief and the costs of insurance.

Addressing the Problem

Other nations exposed to substantial earthquake risk, such as Japan and New Zealand, require earthquake coverage to be included in standard homeowner insurance policies. In both countries, the government also participates in providing earthquake insurance. Recently two legislative initiatives have been introduced in the U.S. House of Representatives that also move federal policy here well beyond "wait and see."

The Federal Earthquake Insurance and Reinsurance Act (FEIRA), introduced by Reps. Al Swift (D-Washington) and David Dreier (R-California) and seven other congressman, would require owners of residential property financed with mortgages by or reinsured by a federal agency or with mortgages issued by a federally insured thrift or bank to purchase earthquake insurance. Coverage amounts, deductibles, and rates would be set by a newly established federal corporation, based on estimates of frequency and severity of the risks in different geographic zones.

With insurance mandatory, and thus not restricted to the highest-risk consumers, premiums and deductibles could be substantially reduced. Table 3 shows

The damage estimates for the expected California quakes are sobering. According to the U.S. Geological Service, an 8.3 Richter magnitude quake that strikes along the San Andreas fault in the San Francisco area could kill nearly 13,000 from the vibration effects alone. As many as 24,000 could die in a 7.5 magnitude quake along the Newport-Inglewood fault in the Los Angeles area.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

illustrative rates for seven zones, based on estimates by the insurance industry, which originally developed the Swift-Drier proposal. The table shows that in many areas of the country, the rates would be quite low; but even in such highly quake-prone areas as Alaska and California, the rates would be far from prohibitive and far lower than they are now.

The Swift-Drier approach to the mitigation problem is to use the insurance marketplace. The bill would set premium rates for the insurance on the basis not only of seismic risk but also of the extent of mitigation taken by individuals and by their local and state governments. Thus, for example, homeowners who install shut-off valves for their gas lines would be eligible for lower rates than homeowners who do not. Similarly, residents in communities with tough earthquake building codes and zoning ordinances would also enjoy lower rates.

Representatives George Brown (D-California) and Sherwood Boehlert (R-New York) propose a very different approach to mitigation in their National Earthquake Insurance and Reinsurance Act. Instead of relying on voluntary mitigation measures, they would require FEMA to develop and then *mandate* earthquake-resistant construction standards for all buildings, new and old, as well as zoning requirements for all communities in earthquake-prone areas. Homeowners would be ineligible for earthquake insurance unless their communities adhered to these requirements. In addition, communities without appropriate building and planning codes would be ineligible for disaster relief in the event of an earthquake. Because virtually all states are susceptible to earthquakes, as shown earlier in figure 1, the Brown-Boehlert proposal effectively would federalize building code and zoning ordinances throughout the nation.

The danger of the Brown-Boehlert approach is that mandatory mitigation could be extremely costly. Constructing new homes to be earthquake resistant would add roughly 2 percent to the purchase price of a new home. Construction spending nationwide, for both residential and nonresidential uses, now amounts to roughly $200 billion a year; an additional 2 percent would represent $4 billion a year, or a lump sum of $40 billion in present discounted value (at a 10 percent interest rate).

Costs would be far greater — no one has estimated how much — if existing structures were retrofitted to meet earthquake-resistant standards. And the history of federal government involvement in regulatory standard setting makes it likely that costs will go higher still. An overly zealous FEMA could adopt mitigation standards nationwide costing hundreds of billions of dollars.

A voluntary program, even one backed with insurance-based incentives as in FEIRA, has the opposite risks. Skeptics argue that just as individuals currently discount earthquake risks, they will continue to do so even if earthquake insurance is mandatory. In addition, the premium savings from mitigation efforts, whether by individuals or by governments, may be too small to encourage meaningful action.

My own preference would be to try the incentive-based approach initially, but nevertheless require FEMA to report to Congress within some reasonable time — say, three to five years — on the extent of mitigation actually implemented and the costs of the steps taken. Congress would then be in a far better position than it is now to determine whether mandatory mitigation standards would be more appropriate.

Establishing a federal corporation to set insurance rates also has potential drawbacks. Like the federal deposit insurance agencies, a federal earthquake insurance corporation may not have sufficient incentives to set actuarially sound premiums. As a monopolist, the corporation would face no competitive pressures to price its insurance according to risk. In addition, the corporation would be susceptible to political influences of the kind that plagued federal thrift deposit regulators, especially given its authority to set the kind of rate differentials reflected in table 3. At the same time, however, it is not clear what other arrangements for rate setting could be made. After all, neither the private sector nor the government has yet had any experience with the big one.

A subject on which both bills agree is the need for federal reinsurance of insurers' indirect risks — namely, the claims losses for fire, disability, and death that a major quake would inevitably produce. Under current tax laws, insurers cannot expense for income tax purposes any additions to reserves for such extraordinary events as a calamitous earthquake. Accordingly, insurers have little incentive to provide such reserves, which, of course, exposes their capital to substantial depletion if the big one should strike.

Changing the tax laws to encourage such reserve buildups, however, could be an expensive way to provide for such a catastrophe. A more sensible course is for the government to provide reinsurance in the event it is necessary. Both bills do this by making the Treasury Department the lender of last resort to the insurance industry in the event of a major quake. The Swift-Drier bill would require the insurers to repay the government out of future premiums (spreading the costs of doing so over their entire insured populations). The Brown-Boehlert bill would not (a mistake).

In the wake of the thrift crisis, of course, it may be objected that the last thing the country needs is yet another insurance program. However, unlike the thrift industry crisis — which need not and should not have occurred — the big earthquake is virtually inevitable. And so is the fact that the federal government — and taxpayers — will bear a substantial part of the cost, wherever the quake strikes. The question Americans throughout the country should begin asking themselves is whether the federal government should pursue a more active policy now to better protect our citizens against the potentially catastrophic human and financial impact when the big day arrives. □

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The Brookings Institution Center for Public Policy Education

Conferences for Corporate and Government Executives

EXECUTIVE LEADERSHIP SEMINARS

Senior-level corporate and government executives meet in Washington, D.C., to share ideas with administration officials, members of Congress, and policy experts in off-the-record sessions.

- ❑ **Issues in Telecommunications Policy**
  November 13–15, 1990
- ❑ **National Security Issues: An Update**
  November 27–29, 1990
- ❑ **Science, R&D, and Industrial Competitiveness**
  December 4–6, 1990
- ❑ **The Federal Budget: Fiscal Year 1992**
  February 5–7, 1991
- ❑ **Shaping a New European Order**
  March 12–14, 1991
- ❑ **The Changing Defense Industry: Strategies for the Future**
  April 16–18, 1991

NATIONAL ISSUES FORUMS

Key policy experts from the White House, Congress, business, government, and academia share their perspectives on these issues. These forums, held in Washington, D.C., are on the record, and the media are encouraged to attend.

- ❑ **American Corporation in a Changing Environment**
  January 15, 1991
- ❑ **Assessing the Uruguay Round**
  March 26, 1991

FOR REGISTRATION INFORMATION:

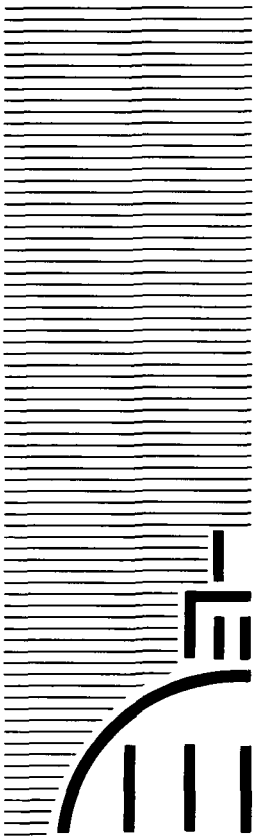
Send in the attached reply card or call Margaret Halstead at (202) 797-6299

INDISPENSABLE BOOKS FROM BROOKINGS

Human Rights in Africa
Cross-Cultural Perspectives
Abdullahi Ahmed An-Na'im and Francis M. Deng, Editors
"important reading for those committed to respect for international human rights. . . ." Steven J. Solarz, U.S. House of Representatives
cloth $36.95/paper $16.95

Deterrence and the Revolution in Soviet Military Doctrine
Raymond L. Garthoff
Garthoff makes use of unique, newly available material – including the confidential Soviet general staff journal – to illuminate the development of Soviet military thinking and the implications for U.S. security policy.
cloth $29.95/paper $11.95

Agency under Stress
The Social Security Administration in American Government
Martha Derthick
Using case studies of poor performance by the Social Security Administration, Derthick examines the quality of policymakers' guidance and the feasibility of their policies.
cloth $32.95/paper $12.95



Debt, Taxes, and Corporate Restructuring
John B. Shoven and Joel Waldfogel, Editors
Financial and tax specialists analyze how the U.S. tax system – especially its bias toward debt financing – affects corporate financial decisions and examines its influence on the recent wave of restructuring.
cloth $28.95/paper $10.95

An American Trade Strategy
Options for the 1990s
Robert Z. Lawrence and Charles L. Schultze, Editors
Showcases the American trade controversy: Anne O. Krueger on multilateral free trade, Rudiger W. Dornbusch on aggressive bilateralism, and Laura D'Andrea Tyson on managed trade. Robert E. Baldwin, I. M. Destler, and Robert B. Reich assess the alternatives.
cloth $28.95/paper $10.95

To order please call (202) 797-6258
or FAX your order to
(202) 797-6004.
Mail orders to
The Brookings Institution,
P.O. Box 270,
Washington D.C. 20055

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

1775 MASSACHUSETTS AVENUE N.W. WASHINGTON D.C. 20036

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED